

**Report to the Governor  
and to the Legislature:  
Health Care Stabilization Fund  
State Fiscal Years 2009, 2010, and 2011**

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Commissioner**

## I. Background

The New Jersey Department of Health and Senior Services (the “Department”) prepares this report to summarize activities related to the Health Care Stabilization Fund Grant Program. The report is intended to provide an overview of the Health Care Stabilization Fund Grant Program, information on the goals of the funding program, a summary of the Health Care Stabilization Fund Grant activity for SFY2009, SFY2010, and SFY2011, and a description of program compliance with the State’s requirements for grant accountability and monitoring.

In 2008, Senate Bill 1978<sup>i</sup> was enacted to implement recommendations included in the Report of the New Jersey Commission for Rationalizing Healthcare Resources. The Legislature found that it was “fitting and appropriate to establish a fund for the purpose of providing emergency grants to general hospitals and other licensed health care facilities to ensure continuation of access and availability of necessary health care services to residents in a community served by a hospital facing closure or significantly reducing services due to financial distress.” Pursuant to P.L. 2008, c. 33, the Health Care Stabilization Act (the “Act”) authorized a health care stabilization fund (the Fund), a nonlapsing revolving fund in the Department of Health and Senior Services, to be administered by the Department in consultation with the Department of the Treasury. Funding is contingent upon annual appropriation.

N.J.A.C. 8:32 provides generalized guidance as to the regulatory framework for the administration of the Fund grants. Grant administration is accomplished through the development of a Request for Application which outlines application requirements and an evaluation system, the grant participation agreement letters, and the subsequent monitoring of administrative compliance, fund expenditure, and financial, organizational and quality indicators. To assist with the Health Care Stabilization Fund Grant Program, the Health Care Facilities Financing Authority provides consultation and review of the grants as well as providing on-going support in routine monitoring of hospital financial indicators. The Office of the State Comptroller provides additional administrative review of compliance by reviewing the audited statements provided by the grantee at the conclusion of each grant period.

The Commissioner of Health and Senior Services filed a written report on the State Fiscal Year 2009 awards and has reported to the Legislature and the Governor on the necessity for continuation of the Fund through the annual budget process including direct testimony at legislative budget hearings and the public dissemination of the details of annual awards.

## II. Overview of the Health Care Stabilization Fund Program

The Health Care Stabilization Fund Program is not a formal program in the Department’s organization. Rather it is located within the Office of the Deputy

Commissioner for Health Systems and Senior Services and serves as a mechanism to assist in the overall charge of that office to monitor New Jersey's acute care hospitals through an early warning system.<sup>ii</sup> The Department and HCFFA review licensing information and comparative financial indicators to assess a hospital's financial condition as compared to statewide medians. This assessment may indicate financial stress and a risk to the availability of health care services in a community. The Department is proactive in meeting with hospital leadership and boards as part of the monitoring program. All New Jersey acute care general hospitals are monitored as part of the early warning system.

Across the country, "[t]he last year has seen a number of positive developments, including the improvement of balance sheets and operating results, much of this improvement resulted from comparatively easy reductions in expenses, rather than from strong revenue growth. These conditions will challenge hospital boards and management teams to revisit their model of healthcare delivery."<sup>iii</sup> The Department has seen similar positive developments based on reductions in expenses; however, as nationally, New Jersey acute care hospitals continue to face financial challenges. The routine monitoring of financial indicators, status meetings between health care facility leadership and the Department, and attendance at Hospital Governing Board meetings provide the Department with the ability "to monitor the performance of all hospitals and also have early warning signs well before a hospital actually reaches a point of financial distress to allow for early intervention."<sup>iv</sup> The availability of the fund to provide emergency temporary grants offers tangible support to stabilize New Jersey's health care system. Combined and coordinated with existing policy initiatives at the state level to provide additional funding for hospitals in the SFY2011 budget has provided additional support for New Jersey's health care system.

### **III. Overview of the Health Care Stabilization Fund Grant Process**

The process begins with the publication of a Notice of Grant Availability, which is published on the Department's web site at <http://www.state.nj.us/health/legal/orders.shtml> and in *The New Jersey Register* notifying the public and interested parties of the availability of funding for the Health Care Stabilization Grant.

The Request for Application and the Application are available on the Department's web site and distributed to hospital CEOs and the hospital associations. The timing of awards from the Health Care Stabilization Fund is dependent upon the continued availability of funds during the state fiscal year.

Grants were evaluated against the following criteria: identification of hospital closure; reduction of service or need for stabilization of health care services impacting the facility; demonstration of extraordinary circumstances creating the need for health care stabilization by describing of the population and community

and the facilities' current barriers to service provision; identification of the population and community to be served; plans/strategies/activities appropriate to stabilize access and/or availability of services and directed to the target population and ensure access to health care services in the community; specific measurable activities and reasonable time frame for outcomes to be achieved; documentation of demonstrated efforts to improve efficiencies and facility management and governance; and a statement or description of how services will be maintained. In SFY 2010, the impact of inpatient DRG rebasing was added as a factor to be considered in the evaluation.<sup>v</sup>

The general approach to developing recommendations for the Health Care Stabilization Fund Grants is to do three things: first, distribute enough funding to ensure continuation of access and availability of necessary health care services; second, improve organizational, financial, and quality indicators; and third, encourage long-term strategic planning including, but not limited to, regional planning. These three steps are intended to maintain access to high-quality care while creating financial pressure on acute care facilities to make better use of limited resources.

The Department sends a Notice of Intent to fund to each successful grantee. Each grantee must execute a grant agreement letter and other documentation in support of the award including, but not limited to, an agreement as to the term of the grant, conditions, and reporting requirements. The Office of the Deputy Commissioner and HCFFA monitor the performance of each grantee through review of the grantee's performance reports and routine monitoring of financial indicators. Each grantee is required to comply with the Single Audit Policy defined by the Department of Treasury, Office of Management and Budget (OMB Circular 404) and the Single Audit Act of 1984 (Federal OMB Circular A-133). Within one year of the completion of the grant term, the commissioner, in consultation with the State Comptroller reviews the audited statement pertaining to each licensed health care facility that received a grant.

The following chart provides a summary of the publication citation and date, the amount of available funds, the number of applicants, the aggregate amount requested by applicants, and the number of grants awarded by State fiscal year.

State Fiscal Year	<u>New Jersey Register</u> Notice of Availability	Date of Publication	# of Applicants	Amount Requested	Available and Awarded Fund	# of Awards	Term of Award
2009	40 <u>NJR</u> 5855(b)	10/06/2008	14	\$143,707,192	\$44,000,000	6	12/1/08 – 06/30/09
2010	41 <u>NJR</u> 2986(b)	08/03/2009	12	\$133,852,690	\$40,000,000	9	12/1/09 – 06/30/10
2011	43 <u>NJR</u> 210(a)	01/18/2011	12	\$110,900,603	\$30,000,000	10	01/1/11 – 06/30/11

# **Fiscal Year 2009 (SFY09)**

#### IV. Status Fiscal Year 2009 (SFY09)

##### A. Awards

The Department approved a total of \$44,000,000 to six SFY09 grant applicants. The grant project period and budget period was December 1, 2008 to June 30, 2009. The SFY09 grants were awarded to the following licensed health care facilities:

Name of Facility	Amount Awarded
East Orange General Hospital	\$ 5,000,000
Liberty Health (Jersey City Medical Center)	\$22,000,000
Raritan Bay Medical Center	\$ 4,000,000
St. Barnabas Medical Center (Kimball Medical Center)	\$ 1,000,000
St. Barnabas Medical Center (Newark Beth Israel Medical Center/Children's Hospital of NJ)	\$ 5,000,000
St. Mary's Hospital	\$ 7,000,000
Total of Award	\$44,000,000

##### B. SFY09 Final Summary

The SFY09 Final Summary Assessment describes the hospital's efforts at continuation of access and availability of necessary health care services to residents in the community. The Department placed several conditions on all facilities and each facility received conditions directed to the specific hospital or community. A copy of the Report to the Governor and to the Legislature: Health Care Stabilization Fund SFY 09 is available at [http://www.state.nj.us/health/healthfacilities/documents/stabilization\\_report.pdf](http://www.state.nj.us/health/healthfacilities/documents/stabilization_report.pdf).

The general conditions reinforce existing requirements governed by the regulatory authority of the Department such as licensing rules related to the provision of health care services, reporting of financial and quality indicators by facility and compared statewide, review of procedures related to maintaining and improving enrollment in available governmental programs, and information sharing between the facility and the State by participating on governing boards. All grant recipients met the reporting requirements and complied with administrative grant requirements of OMB A-133.

**i. General Conditions**

All of the six SFY09 grantees met the general conditions placed on all grantees. Each of the specific indicators will be addressed in the grantee summaries below.

General Condition SFY09	East Orange General Hospital	Kimball Medical Center	Liberty Health (Jersey City Medical Center)	Raritan Bay Medical Center	St. Barnabas Medical Center (Newark Beth Israel Medical Center/Children's Hospital of NJ)	St. Mary's Hospital
Grantees must provide monthly reports documenting progress on the performance and quality conditions.*	•	•	•	•	•	•
Document existing procedures for enrollment in government programs (Medicaid and Family Care) and provide a baseline from which to measure progress.	•	•	•	•	•	•
Secure a contingency contract with a firm that specializes in revenue cycle improvements (unless one has been completed recently or is currently underway).	•	•	•	•	•	•
Include a State representative on the hospital board for the duration of the grant.	•	•	•	•	•	•
Provide baseline data regarding 30 day readmission rates and managed care denials.	•	•	•	•	•	•

\* The Notice of Award and grant period was for a six month term. The Department accepted summary reports for the grant term.

Each grantee submitted documentation concerning the general conditions. The Department's approach to the general conditions was to routinize the administrative reporting to the Department as well the role of the Department in interacting with the Hospital Board. The baseline data and revenue cycle improvements provided information concerning areas that could be measured or assessed in the initial grant period.

**ii. Hospital Specific Conditions**

The information included in this section of the report reflects the information provided to the Department as of completion of the SFY09 grant period. However, additional changes took place at a number of these facilities after June 30<sup>th</sup>.

East Orange General Hospital

East Orange General Hospital documented the impact of 4 hospital closures in the surrounding region as well as a high percentage of public and indigent payer mix as the need for stabilization funds. These factors support extraordinary need for the population served by East Orange General Hospital as well as continued access to necessary services particularly in the area of dialysis and mental health care.

East Orange General Hospital submitted progress reports towards the following hospital-specific operational conditions:

<b>Specific Condition</b>	<b>Status</b>
Conduct a review of clinic services to determine if they could be provided through an FQHC or FQHC look-a-like.	<ul style="list-style-type: none"> <li>○ Completed a comprehensive review of clinic services and initiated meetings with the New Jersey Primary Care Association and the community health center.</li> </ul>
Implement all the recommendations in the CAMBIO consulting report.	<ul style="list-style-type: none"> <li>○ CAMBIO recommendations reviewed and implemented consistent with goal of ensuring continued access to health care services.</li> </ul>
Reduce Case Mix adjusted Average Length of Stay by a 1/2 day.	<ul style="list-style-type: none"> <li>○ Case Mix Adjusted Average Length of Stay reduced from 2008 baseline.</li> </ul>
Conduct a review of all services to identify areas for strategic partnerships.	<ul style="list-style-type: none"> <li>○ Completed as part of a larger Strategic Planning process.</li> </ul>
Improve quality scores by 7.5% in the following areas: heart attacks, surgical care and heart failure.	<ul style="list-style-type: none"> <li>○ Continue to review as a quality indicator. Quality scores improved for areas identified.</li> </ul>

Grant monitoring indicated an improvement in the overall quality of care indicators, progress towards improvements and efficiencies relative to operational and financial practices, decreased length of stay, improvements to revenue cycle, and strengthening partnerships with the community. East Orange General Hospital has noted operational improvements but still faces financial challenges.

Liberty Health (Jersey City Medical Center)

Liberty Health documented a general and detailed overview of the essential health care services offered by Jersey City Medical Center (JCMC), to Jersey

City and residents of Hudson County specifically care for financially vulnerable, provision of essential services, and utilization. Approximately half of the patients at JCMC are Medicaid or Charity Care. The hospital, under a turnaround plan, has reduced costs, sold assets, maximized revenues and improved the payer mix. Significant, but declining, levels of State subsidies have been provided since 2007.

Specific Condition	Status
Review potential alternative uses of Meadowlands hospital.	<ul style="list-style-type: none"> <li>○ Summarized timeline and goals to increase volume, generate revenue, and reduce expenses.</li> </ul>
Examine and report on the nexus between declining charity care volume and hospital expenses.	<ul style="list-style-type: none"> <li>○ Analyzed changes related to charity care and all other payer mix analysis, identified reductions in expenses, and maintenance of essential services.</li> </ul>
Improve expense per adjusted admission to statewide average.	<ul style="list-style-type: none"> <li>○ Continue to review as an operational and financial indicator.</li> </ul>
Improve FTE per adjusted occupied bed to statewide average.	<ul style="list-style-type: none"> <li>○ Continue to review as an operational and financial indicator.</li> </ul>
Review regional impact of cardiac services with an emphasis on access for low-income and minority populations.	<ul style="list-style-type: none"> <li>○ Noted collaboration with surrounding hospitals for both elective angioplasty and open heart surgery.</li> </ul>

Grantee engaged a contingency contract to complete an assessment of the facility's operations. The facility implemented monitoring activities that indicated an improvement in the overall quality of care indicators, progress towards improvements and efficiencies relative to operational and financial practices, decreased length of stay, improvements to revenue cycle, and strengthening partnerships with the community. At the end of the grant cycle, Meadowlands Hospital continued to be monitored and evaluated by the governing board. JCMC has successfully implemented the elements of a turnaround plan but still faces financial challenges.

Raritan Bay Medical Center – Perth Amboy Division

Raritan Bay Medical Center (RBMC) documented health care services provided by the applicant, the limitations on surrounding facilities' ability to absorb patient volume, limited transportation alternatives to reach surrounding facilities, and a governmental payor mix of 73 percent. RBMC's outside auditor, E&Y, issued a "going concern" opinion in their annual audit report for the fiscal year ended December 31, 2007. RBMC issued an RFP to obtain offers on the Old Bridge Division and implemented measures to maintain essential services restructuring debt and investing capital into Perth Amboy.

Specific Condition	Status
Complete sale of the Raritan Bay Old Bridge Hospital and obtain an affiliation agreement for Perth Amboy that provides for the long run viability of that facility.	<ul style="list-style-type: none"> <li>○ At completion of grant, still in active discussion with boards concerning sale and/or affiliation.</li> </ul>
Implement and report progress on recommended improvements included in the Accenture report.	<ul style="list-style-type: none"> <li>○ Accenture recommendations reviewed and implemented consistent with goal of ensuring continued access to health care services and financial savings.</li> </ul>
Reduce Case Mix adjusted Average Length of Stay by a 1/2 day.	<ul style="list-style-type: none"> <li>○ Continue to review as an operational and financial indicator. Documented reduction in Case Mix adjusted Average Length of Stay.</li> </ul>
Improve performance on scores for surgical care by 7.5%.	<ul style="list-style-type: none"> <li>○ Continue to review as a quality indicator. Quality scores improved for areas identified.</li> </ul>

RBMC completed a review of all of its health care services. RBMC and its leadership focused on operational improvements in the areas of length of stay, staffing and expense management. An improvement plan to review, validate and supplement current improvement initiatives is in place to move towards a financially stable operation. At the end of the grant cycle, the potential sale of Raritan Bay Old Bridge Division is still in discussion but no decision has been made concerning the facility.

**St. Barnabas Medical Center System**  
Kimball Medical Center/ Kimball Medical Center (KMC)

Kimball Medical Center (KMC) experienced significant growth in both Charity Care and Medicaid patients over the last few years and in particular the Lakewood zip codes. This increase in low-income volume with the lack of transportation options in the region provide limited alternatives to health care services for the population served by KMC. KMC as part of the Saint Barnabas Health Care System receives organizational support but the System is faced with major financial challenges that negatively impact its ability to fund and preserve essential health services. The Saint Barnabas System's bonds were recently downgraded by Moody's to non-investment grade.

Specific Condition	Status
Conduct a review of all services identify areas for strategic partnerships.	<ul style="list-style-type: none"> <li>○ Identified existing strategic partnerships to provide occupational health services, laboratory, and clinic services. Documented continued review of possible opportunities to expand services available to community.</li> </ul>
Implement and report progress on recommended improvements included in the Accenture report.	<ul style="list-style-type: none"> <li>○ Report submitted on status of Accenture recommendations with continued efforts to maintain services.</li> </ul>
Conduct a review of clinic services to determine if they could be provided through an FQHC or FQHC look-a-like. This analysis should be designed to coordinate and mitigate any proposed reduction by transferring the services to an FQHC.	<ul style="list-style-type: none"> <li>○ Services already provided through an agreement with Ocean health Initiatives, a FQHC sponsored by KMC. Documented continued review of possible opportunities to expand services available to community.</li> </ul>
Improve surgical care quality score to the state median of 90.	<ul style="list-style-type: none"> <li>○ Continue to review quarterly as core measures. Quality scores improved for areas identified.</li> </ul>

Based on consultant report recommendations and a strategic planning initiative, KMC implemented numerous operational changes to enhance the revenue cycle process and provided baseline data regarding 30 day readmission rates and managed care denials, which showed that Managed Care Denial Day decreased in 2009. KMC has provided expanded primary care clinic services through Ocean Health Initiatives since 2003, which continues to serve medically indigent patients.

**St. Barnabas Medical Center System  
Newark Beth Israel Medical Center/Children’s Hospital of NJ (NBIMC/CHONJ)**

NBIMC/CHONJ documented the impact of 2 recent hospital closures and the impact of closures on inpatient volume, clinic services, and access to health care services. NBIMC/CHONJ, as part of the Saint Barnabas Health Care System, receives organizational support but the System is faced with major financial challenges that negatively impact its ability to fund and preserve essential health services.. The Saint Barnabas System’s bonds were recently downgraded by Moody’s to non-investment grade. Medicaid rebasing will help stabilize NBI long-term but the full effect of it has not yet been experienced. NBI provides access

to comprehensive inpatient and outpatient pediatric services, adult primary health care clinics, emergency, oncology, and outpatient mental health. NBI has a large proportion of Medicaid and Charity Care patients and is the largest provider of transplant and cardiac services in Newark.

Specific Condition	Status
Conduct a review of clinic services to determine if they could be provided through an FQHC or FQHC – look-a-like. This analysis should be designed to coordinate and mitigate any proposed reduction by transferring the services to an FQHC.	<ul style="list-style-type: none"> <li>○ Completed review but recognize need to maintain outpatient infrastructure for subspecialty services, included internal and external stakeholders, and notes participation with FQHC on educational initiatives.</li> </ul>
Improve expense per adjusted admission to statewide average	<ul style="list-style-type: none"> <li>○ Continue to review as an operational and financial indicator with noted improvement.</li> </ul>
Improve FTE per adjusted occupied bed to statewide average	<ul style="list-style-type: none"> <li>○ Continue to review as an operational and financial indicator. FTE per adjusted occupied bed remains below benchmark.</li> </ul>
Reduce Case Mix adjusted Average Length of Stay by a 1/2 day	<ul style="list-style-type: none"> <li>○ Continue to review as an operational and financial indicator. CMI-adjusted ALOS decreased.</li> </ul>
Implement the recommendations included from the Accenture consulting report and report monthly on progress of same	<ul style="list-style-type: none"> <li>○ Continue to update and take action on Accenture recommendations related to ALOS Management, Patient Placement and Bed Management, Discharge Planning, Case Management, ED, ED Throughput, Organizational Alignment, and Physician Engagement and Infrastructure.</li> </ul>

Grantee noted improvements to its financial position based on receipt of the stabilization fund, charity care closed hospital redistribution, Medicaid rebasing and management expense reduction. Essential services such as obstetrical and prenatal clinics were maintained and no reductions were made to the Emergency Department, mental health or dental clinics.

St. Mary’s Hospital of Passaic (SMH)

As a result of a series of consolidations SMH has, over time, absorbed two other regional hospitals: Passaic Beth Israel Regional Medical Center and The General Hospital Center at Passaic and remains the sole provider of acute medical services in the City of Passaic. With the collapse of the real estate market, the former St. Mary’s Hospital building and property were significantly devalued, which in turn caused the serious liquidity issue that precipitated the bankruptcy.

SMH declared Chapter 11 Bankruptcy in March of 2009 and a Reorganization Plan was confirmed in 2010. SMH provides services to large number of Medicaid and Charity Care patients. Closure of SMH would cause significant challenges for the community it serves including, but not limited to, maternity patients.

Specific Condition	Status
Complete a merger with a strategic partner that will increase market position and improve reimbursement rates.	<ul style="list-style-type: none"> <li>○ Considered but no qualified partner identified. On-going.</li> </ul>
Complete the sale of the Pennington Ave building by March 31, 2009.	<ul style="list-style-type: none"> <li>○ Declining real estate market adversely affected SMH's ability to sell the Pennington Avenue. Trustee appointed.</li> </ul>
Retain the services of a cash management expert.	<ul style="list-style-type: none"> <li>○ New management implementing activities to stabilize facility through revenue enhancements and expense reductions.</li> </ul>
Implement the operational improvement recommendations included in the JH Cohn consulting report.	<ul style="list-style-type: none"> <li>○ Based on the recommendations, all services were reviewed in order to maintain core services.</li> </ul>
Use a portion of the grant proceeds to pay the monthly debt service.	<ul style="list-style-type: none"> <li>○ Completed.</li> </ul>
Improve the following performance measures by 7.5%: pneumonia, surgical care and heart failures.	<ul style="list-style-type: none"> <li>○ Continue to review quarterly as core measures. Quality scores improved for areas identified.</li> </ul>
Achieve the state wide median score for heart attacks (97%).	<ul style="list-style-type: none"> <li>○ Continue to review quarterly as core measures. Quality scores improved for areas identified.</li> </ul>

Based on the receipt of stabilization funds and Hospital Asset Transformation, the State participates on the finance committee of the Board of Trustees. SMH has divested its inpatient behavioral health services, emergency psychiatric service, a chronic dialysis unit, and medical & obstetrical primary care clinics. The inability to sell the real estate at 211 Pennington has limited capital improvements to the 350 Boulevard location, and has not alleviated stress on cash flow. SMH does not have capital reserves and limited cost savings opportunities. SMH has operational improvements but still faces financial challenges and continues to seek strategic partnerships.

# **Fiscal Year 2010 (SFY10)**

## V. Status Fiscal Year 2010 (SFY10)

The SFY 2010 Appropriations Act, P.L. 2009, c.68 allocated \$40 million to the Health Care Stabilization Fund. Based on the availability of funding, the Department published a Notice of Grant Availability in The New Jersey Register at 41 N.J.R. 2986(b) and on the Department's web site at <http://nj.gov/health/grants/directory.shtml>. The Department received 12 applications.

### A. Eligible Applicants, Recommendations, and Award

After a thorough review of all the eligible applications, the Committee, in consultation with the Health Care Facilities Financing Authority and the State Treasurer recommended the following grant awards to nine facilities as follows:

Name of Eligible Applicant	Date Received	Amount Requested	Amount Awarded
Christ Hospital	08/21/09	\$14,000,000	\$ 7,000,000
East Orange General Hospital	08/19/09	\$ 7,156,632	\$ 2,500,000
Hoboken Municipal Hospital Authority d/b/a Hoboken University Medical Center	08/21/09	\$10,704,000	\$ 7,000,000
JFK/Solaris	08/21/09	\$ 4,902,000	
Liberty Health/Jersey City Medical Center	08/21/09	\$17,010,000	\$ 7,000,000
Raritan Bay Medical Center	08/18/09	\$ 8,000,000	\$ 1,000,000
St. Barnabas Health Care System/Kimball Medical Center	08/21/09	\$10,000,000	
St. Barnabas Health Care System/Newark Beth Israel Medical Center	08/21/09	\$14,000,000	\$ 4,000,000
St. Clare's Health Services	08/20/09	\$10,000,000	\$ 1,000,000
St. Mary's Hospital	08/20/09	\$33,471,458	\$ 9,500,000
Senior Care & Activities Center	08/14/09	\$ 1,408,600	
Trinitas Regional Medical Center	08/13/09	\$ 3,200,000	\$ 1,000,000
<b>TOTAL REQUESTED/ TOTAL AWARDED</b>		<b>\$133,852,690</b>	<b>\$40,000,000</b>

Due to the number of qualified applicants, DHSS made the decision to reduce the award compared to the requested amount based on the rationale that this decision was fair and equitable to the intent of the Act. The grant project period and budget period was December 1, 2009 to June 30, 2010.

## **B. Application Process and Evaluation Criteria**

As in SFY09, the Request for Application directed applicants on the application process including, but not limited to, the grant forms, project narrative requirements, and supporting documentation. The Department continued to use the health services grant application forms and standard auditing and record keeping controls applicable to all grantees of the Department which provides the necessary transparency and accountability.

Specifically, the Request for Application identified the criteria that each applicant was to address in its submission:

- Identify hospital closure, reduction of service and alternatives to provide access, impact of rebasing of DRGs, or need for stabilization of health care services that is impacting facility.
- Demonstrate extraordinary circumstances creating the need for health care stabilization by describing the population and community and the facilities' current barriers to service provision.
- Proposal must identify the population and community to be served.
- Plans/strategies/activities must be appropriate to stabilize access and/or availability of services including long-term sustainability of the facility and be directed to the target population and ensure access to health care services in the community.
- Specific activities proposed as part of the health care stabilization fund must be measurable and include a reasonable time frame for outcomes to be achieved.
- Document demonstrated efforts to improve efficiencies and facility management and governance.
- The proposed project must be appropriate and reasonable and incorporate a budget narrative that is complete, comprehensive and provides an explanation for each budget line item.
- The proposal must include a statement or description of how services will be maintained after June 30, 2011.

As noted above, the impact of rebasing of DRGs was added to the evaluation criteria in SFY10.

## C. SFY10 Evaluation Summary Narratives, Awards, and Conditions

The Section SFY10 Evaluation Summary Narratives, Awards, and Conditions describes the rationale for awards and the hospital's efforts at continuation of access and availability of necessary health care services to residents in the community. The Department placed several general conditions on all facilities and then each facility received conditions directed to the specific hospital or community.

Overall, the general conditions reinforce existing requirements governed by the regulatory authority of the Department such as licensing of health care services as well as quality indicators by facility and compared statewide, procedures related to maintaining and improving enrollment in available governmental programs, and information sharing between the facility and the State by participating on governing boards. All grant recipients met the reporting requirements and complied with administrative grant requirements of OMB A-133.

The narratives are presented in alphabetical order based on award recommendations and, unless otherwise noted, contain summary statements of information available at the time of grant selection.

APPLICANT NAME: Christ Hospital

A main priority outlined in the Act and the Request for Application was a need for stabilization funds due to hospital closure or need for stabilization of health care services with a demonstration of extraordinary circumstances. Christ Hospital proposed a good general and detailed overview of the essential health care services offered at this facility. Christ Hospital is a significant provider of pediatric services (noted 36% increase since 2007) and of behavioral health services (noted 49% increase since 2007). Christ Hospital experienced financial stress in large part due to rebasing, poor payer mix, and pension underfunding. There is insufficient immediate capacity in the region where the 180 or so patients can be absorbed. There is a potential for closure and disruption to the availability and access to necessary health care services. Long-term planning must occur in order to stabilize the region's hospitals. This application best responds to the goals and objectives of the Act in ensuring stabilization to a facility and maintained access.

### Christ Hospital General Conditions

1. Grantees must provide monthly reports documenting progress on the performance and quality conditions
2. Enroll and participate in the Universal Coverage for Infants pilot program

3. Include a State representative on the hospital board for the duration of the grant

Christ Hospital Specific Operational Conditions (must be completed by the end of the grant period)

4. Allocate \$200,000 of the grant award for the immediate procurement of a health care consulting firm which will be selected and supervised by the Health Care Facilities Financing Authority. This engagement's goal is to evaluate the current inventory of Hudson county health care services for duplication and unused capacity and propose Recommendations for consolidation or regionalization of services. The results of this report must be presented to the Commissioner for the Department of Health & Senior Services by June 1, 2010. NOTE: This condition applies to all Hudson county hospitals receiving Health Care Stabilization awards.

APPLICANT NAME: East Orange General Hospital

East Orange General Hospital continues to address the impact of four hospital closures as well as a documented high percentage of public and indigent payer mix which creates an on-going need for stabilization funds. East Orange General Hospital received a SFY09 Stabilization Grant. The overall impact of rebasing as well as a poor payer mix and lack of high acuity level services present continuing challenges. The hospital has taken steps to control costs and reduce expenses as well as efforts to improve revenue with volume growth, develop partnerships, and successfully implemented measures improving operational and quality indicators. The hospital offers out-patient mental health services and dialysis safety net services that remain essential at this time.

East Orange General Hospital General Conditions

1. Provide monthly reports documenting progress on the performance and quality conditions.
2. Enroll and participate in the Universal Coverage for Infants pilot program.
3. Include a State representative on the hospital board for the duration of the grant award.

East Orange General Hospital Specific Operational Conditions (must be completed by the end of the grant period)

4. Develop a plan to implement the recommendations to transfer primary care clinics to a federally qualified health center.

5. Reduce Average Length of Stay by an additional ½ day (Recognition of the success previous year's efforts in this area.)
6. Develop a plan that will address quality of care and utilization for end-of-life care.

East Orange General Hospital Specific Quality Conditions (must be completed by the end of the grant period)

7. Increase scores for process of care measures for Heart Attack, Pneumonia and Surgical Care to levels consistent with the state medians.

APPLICANT NAME: Hoboken Municipal Hospital Authority d/b/a Hoboken University Medical Center

Hoboken Municipal Hospital Authority d/b/a Hoboken University Medical Center established under special legislation as a municipal hospital in 2006. The hospital has significant charity care admissions. The hospital is experiencing a severe liquidity crisis that without some form of support the hospital may seek to close by January 2010. If it closes, the city will have to satisfy the defeasance of the bonds issued when the hospital became part of the city government. Long-term planning must occur in order to stabilize the region's hospitals. This application best responds to the goals and objectives of the Act in ensuring stabilization to a facility and maintained access.

Hoboken Municipal Hospital Authority d/b/a Hoboken University Medical Center General Conditions

1. Provide monthly reports documenting progress on the performance and quality conditions.
2. Enroll and participate in the Universal Coverage for Infants pilot program.
3. Include a State representative on the hospital board for the duration of the grant award.

Hoboken Municipal Hospital Authority d/b/a Hoboken University Medical Center Specific Operational Conditions (must be completed by the end of the grant period)

4. Allocate \$200,000 of the grant award for the immediate procurement of a health care consulting firm which will be selected and supervised by the Health Care Facilities Financing Authority. This contract is intended to evaluate the current inventory of health care services in the [sic] each of the hospitals' primary service areas for duplication of services and unused capacity and to propose recommendations for consolidation or regionalization of services. The results of this report must be presented to

the Commissioner of the Department of Health & Senior Services by June 1, 2010. NOTE: This condition applies to all Hudson county hospitals receiving Health Care Stabilization awards.

5. Reduce average length-of-stay by an additional ½ day.
6. Review and develop recommendations for reducing the number of FTE's per adjusted bed.
7. Review and develop recommendations for reducing expense per adjusted admission.
8. Secure a contingency contract with a firm that specializes in revenue improvements (unless one has been completed recently or is currently underway.)

Hoboken Municipal Hospital Authority d/b/a Hoboken University Medical Center Specific Quality Conditions (must be completed by the end of the grant period)

9. Demonstrate that mechanisms are in place to ensure individual physician accountability for adherence to core measures, quality indicators, utilization criteria, appropriate “end of life” care, and CMI adjusted LOS measures, with particular emphasis on Medicare LOS.
10. Demonstrate that the hospital maintains an effective Patient Safety Reporting system and Root Cause and Sentinel Event Analysis program which meets national benchmarks for the number of analyses per 1000 discharges and which reports adverse events to the State as legally required.
11. Decrease Inpatient Quality Indicator-Risk Adjusted Mortality scores for Surgical Procedure Carotid Endarterectomy to state averages.
12. Decrease Inpatient Quality Indicator-Risk Adjusted Mortality scores for Medical Procedures for Strokes to state averages.
13. Decrease Patient Safety Indicator Rates for Obstetric trauma-vaginal delivery without instrument to state average

APPLICANT NAME: Liberty Health (Jersey City Medical Center)

Liberty Health (Jersey City Medical Center) documented a general and detailed overview of the essential health care services offered by Jersey City Medical Center to Jersey City and residents of Hudson County specifically care for financially vulnerable, provision of essential services, and utilization. Jersey City Medical Center is in the process of turning around from a super safety net hospital (more than 50% of their patients were Medicaid or Charity Care). The

construction of the new facility in early part of the decade placed enormous pressure on the hospital's cash flows bringing it to the brink of bankruptcy. In the summer of 2006, the State mandated a turnaround plan that resulted in significant changes in management. Significant, but declining, levels of State subsidies have been provided since 2007. (FY 2007 - \$45.3M, FY 2008 – \$34M, FY 2009 \$22M and FY 2010 \$7M estimated) Liberty Health (Jersey City Medical Center) received a SFY09 Stabilization Grant. The hospital, under the turnaround plan mandated by the State, has reduced costs, sold assets, maximized revenues and improved the payer mix. Long-term planning must occur in order to stabilize the region's hospitals.

#### Liberty Health (Jersey City Medical Center)

##### General Conditions

1. Provide monthly reports documenting progress on the performance and quality conditions
2. Enroll and participate in the Universal Coverage for Infants pilot program
3. Include a State representative on the hospital board for the duration of the grant award.

##### Liberty Health (Jersey City Medical Center) Specific Operational Conditions (must be completed by the end of the grant period)

4. Allocate \$200,000 of the grant award for the immediate procurement of a health care consulting firm which will be selected and supervised by the Health Care Facilities Financing Authority. This contract is intended to evaluate the current inventory of health care services in the [sic] each of the hospitals' primary service areas for duplication of services and unused capacity and to propose recommendations for consolidation or regionalization of services. The results of this report must be presented to the Commissioner of the Department of Health & Senior Services by June 1, 2010. NOTE: This condition applies to all Hudson county hospitals receiving Health Care Stabilization awards.
5. Prepare and submit plan for resolving the on-going losses at Meadowlands Hospital by March 31, 2010.
6. Review and develop recommendations for reducing the number FTE's per adjusted bed.
7. Review and develop recommendations for reducing expense per adjusted admission.

Liberty Health (Jersey City Medical Center) Specific Quality Conditions (must be completed by the end of the grant period)

8. Demonstrate that mechanisms are in place to ensure individual physician accountability for adherence to core measures, quality indicators, utilization criteria, appropriate “end of life” care, and CMI adjusted LOS measures, with particular emphasis on Medicare LOS.
9. Demonstrate that the hospital maintains an effective Patient Safety Reporting system and Root Cause and Sentinel Event Analysis program which meets national benchmarks for the number of analyses per 1000 discharges and which reports adverse events to the State as legally required.

APPLICANT NAME: Raritan Bay Medical Center

Raritan Bay Medical Center documented a general and detailed overview of the essential health care services offered by the facility including, but not limited to, the limitations on surrounding facilities’ ability to absorb patient volume. The Perth Amboy Division has a high percentage of public payers as compared to the Statewide average. Services at risk include Mobile Intensive Care Unit, HIV/AIDS Clinic, Orthopedic, Obstetric, and Pediatric Services, Family Practice Center, and ER Crisis Stabilization. Raritan Bay Medical Center – Old Bridge Division has very low cash flow and next year’s cash flow is dependent upon the sale of their Old Bridge facility. They also experienced a reduction in revenues as a result of the Medicaid rebasing.

Raritan Bay General Conditions

1. Provide monthly reports documenting progress on the performance and quality conditions
2. Enroll and participate in the Universal Coverage for Infants pilot program
3. Include a State representative on the hospital board for the duration of the grant award.

Raritan Bay Specific Operational Conditions (must be completed by the end of the grant period)

4. Half of the grant will be held in reserve until the sale of Raritan Bay Old Bridge Hospital is complete. If the sale is not completed by June 30, 2010, the remaining amount will be disbursed by July 31, 2010.

Raritan Bay Specific Quality Conditions (must be completed by the end of the grant period)

5. Increase scores for process of care measures for Heart Attack, Surgical Care and Heart Failure to levels consistent with the state medians.
6. Come into full compliance with HAI reporting timeframes.
7. Decrease Patient Safety Indicator Rates for Obstetric trauma-vaginal delivery without instrument to the statewide average.

St. Barnabas Health Care System/Newark Beth Israel Medical Center/Children's Hospital of New Jersey (NBIMC/CHONJ)

A main priority outlined in the Act and the Request for Application was a need for stabilization funds due to hospital closure or need for stabilization of health care services with a demonstration of extraordinary circumstances. NBIMC/CHONJ proposed a good general and detailed overview of the essential health care services offered at this facility as well as detailing the effects of the 2 hospitals closures in Newark which increased their Medicaid utilization, especially in deliveries and at their clinics. The Saint Barnabas System's bonds were recently downgraded by Moody's to non-investment grade. Medicaid rebasing will help stabilize NBI long-term but the full effect of it has not yet been experienced.

St. Barnabas Health Care System/Newark Beth Israel Medical Center/Children's Hospital of New Jersey (NBIMC/CHONJ) General Conditions

1. Provide monthly reports documenting progress on the performance and quality conditions.
2. Enroll and participate in the Universal Coverage for Infants pilot program.
3. Include a State representative on the hospital board for the duration of the grant award.

St. Barnabas Health Care System/Newark Beth Israel Medical Center/Children's Hospital of New Jersey (NBIMC/CHONJ) Operational Conditions

4. Demonstrate mechanisms are in place to ensure individual physician accountability for adherence to core measures, quality indicators, utilization criteria, appropriate "end of Life" care and CMI adjusted LOS measures.
5. Demonstrate hospital maintains an effective Patient Safety reporting system and root cause and sentinel event analysis program which meets national benchmarks for number of analyses per 1000 discharges and which reports adverse events to the State as legally required.

6. Decrease Inpatient Quality Indicator - Risk adjusted mortality scores for Surgical Procedure Carotid Endarterectomy to state averages.
7. Decrease Patient Safety Indicator Rates for Iatrogenic pneumothorax and Post-operative pulmonary embolism (PE) or deep vein thrombosis (DVT) to state averages.

APPLICANT NAME: Saint Clare's Hospital, Inc.

Saint Clare's Hospital proposal demonstrated extraordinary circumstances creating the need for health care stabilization by describing the population and community and the facilities' current barriers to service provision. Saint Clare's Hospital documented the impact of closures or significant reductions in psychiatric services by surrounding hospitals in the region and the impact of financial losses last year and forecasting significant losses this year. They also will experience a loss due to Medicaid rebasing. While the hospital overall acute care services revenues are improving, and the hospital is part of the Catholic Health Initiatives (CHI) system, their psychiatric facility, without remediation of the physical plant will not receive accreditation. Closure would create a serious access problem in the region. The application provided adequate documentation concerning the physical plant conditions and health safety concerns.

#### St. Clare's Hospital General Conditions

1. Provide monthly reports documenting progress on the performance and quality conditions.
2. Enroll and participate in the Universal Coverage for Infants pilot program.
3. Include a State representative on the hospital board for the duration of the grant.

NOTE: No hospital specific conditions.

APPLICANT NAME: Saint Mary's Hospital

Saint Mary's Hospital identified plans/strategies/activities to stabilize access and/or availability of services including long-term sustainability of the facility directed to the target population and to ensure access to health care services in the community. As noted in prior reports, of the three hospitals previously in the city of Patterson, this facility is the only one that remains. Last year, as a condition of the stabilization grant they received, they were instructed to seek a strong partner for merger to stabilize services for this community. At the time of the application, there have been various proposals put forth but no qualified bidder has made an offer and St. Mary's presented a standalone plan to the

bankruptcy court. The Hospital's Plan of Reorganization was confirmed by the United States Bankruptcy Court in February 2010.

#### St. Mary's Hospital General Conditions

1. Provide monthly reports documenting progress on the performance and quality conditions.
2. Enroll and participate in the Universal Coverage for Infants pilot program.
3. Include a State representative on the hospital board for the duration of the grant award.

#### St. Mary's Hospital Specific Operational Conditions

4. As mutually agreed, SMH must continue its search for a strategic partner or association with another healthcare system. Accordingly, within five (5) months of the Effective Date of its Plan of Reorganization, Saint Mary's will commence a search to find a suitable merger partner, association with a healthcare system and/or hospital that has demonstrated economic stability over the years and shall guarantee that all existing services now offered at Saint Mary's will continue to be offered for a period of not less than five (5) years from the closing of such merger, association or acquisition (the "Qualified Partner"). While a Qualified Partner may be either a "for profit" or "not for profit" entity, in order to be initially qualified to participate in the process, it nevertheless must, to the satisfaction of the State of New Jersey Department of Health ("NJDOH") and Saint Mary's, be an entity that : (i) has a demonstrated and proven track record in healthcare; (ii) in the last two (2) years has not been in violation of any conditions of a Certificate of Need issued by NJDOH at any facilities it has owned or operated; (iii) within the last two (2) years has not been found in violation of any federal or state laws; (iv) fully discloses corporate structures, investors and owners; (v) demonstrates that it has the necessary funds and/or financial commitments in place to service all debt service and maintain current levels of services; and (vi) continue to recognize both JNESO and Local 68 of the Operating Engineers AFL/CIO as collective bargaining unions for the employees of Saint Mary's. Saint Mary's shall periodically report the status of its efforts to the NJDOH Commissioner.

Notwithstanding the foregoing, if for three (3) consecutive quarters following the Effective Date of its Plan Saint Mary's can demonstrate to the satisfaction of the NJDOH its financial stability by meeting and/or exceeding its projections whereby it will be evident that it will no longer need to seek further Stabilization Grants, it may delay its search for a Qualified Partner.

5. Make the full debt service owed to bondholders on March 1, 2010.
6. Review and develop recommendations for reducing the number FTE's per adjusted bed.
7. Review and develop recommendations for reducing expenses per adjusted admission.

#### St. Mary's Hospital Specific Quality Conditions

8. Increase scores for process of care measures for Heart Attack, Surgical Care and Heart Failure to levels consistent with the state medians.
9. Increase Cardiac Surgery volume to maintain Open Heart Surgery license and maintain quality standards (i.e. risk-adjusted mortality – similar state average.)
10. Come into full compliance with HAI reporting timeframes.

#### APPLICANT NAME: Trinitas Regional Medical Center

Trinitas Regional Medical Center documented the impact of closures of a surrounding hospital and its impact on health care services. The hospital is a mental health safety net provider and provides inpatient obstetrical care to patients formerly served by a closed hospital. Trinitas Regional Medical Center presented an overall strong application documenting operational efficiencies, information technology improvements and long-term plans for stabilizing services and financing. In the upcoming year Trinitas is expected a loss due to the Medicaid rebasing.

#### Trinitas Hospital General Conditions

1. Provide monthly reports documenting progress on the performance and quality conditions.
2. Enroll and participate in the Universal Coverage for Infants pilot program.
3. Include a State representative on the hospital board for the duration of the grant award.

NOTE: No hospital specific conditions.

## NO RECOMMENDATION TO AWARD HEALTH CARE STABILIZATION FUNDS - STATE FISCAL YEAR 2010

APPLICANT NAME: JFK/Solaris

Based on the availability of funds, this application did not sufficiently address the application criteria to receive an award. The applicant identified the recent hospital closure of Muhlenberg Hospital as a demonstrated factor in its application. Although the application does not recite the CN closure conditions in their entirety, the Department conditioned that certain services would be provided at other hospitals in the region. On-going challenges such as demand and regional competition are not sufficiently addressed rather stabilization discussion is based solely on redistribution of charity care. Based on availability of stabilization funds, this application did not sufficiently meet the application criteria to receive an award.

APPLICANT NAME: St. Barnabas Health Care System/Kimball Medical Center

Based on the availability of funds, this application did not sufficiently address the application criteria to receive an award. The applicant identified possible financing and operational improvements which could improve cash flow going forward and provide sufficient capital to maintain existing operations. Although a comprehensive assessment of a strategy for going forward was included, it did not provide any added direction from the prior year application and therefore failed to adequately address the existing marketplace conditions and determine if funds would provide any stabilization to this facility.

APPLICANT NAME: Senior Care & Activities Center

Based on the availability of funds, this application did not sufficiently address the application criteria to receive an award. The main priority outlined in the Act and in the Request for Application was a need for stabilization funds due to hospital closure or need for stabilization of health care services with a demonstration of extraordinary circumstances. Given that the Department licensed approximately 11,800 adult day health care slots in 137 facilities, with applications pending for 6,279 additional slots, the extraordinary circumstances related to stabilization and access are not present to support this application. Based on availability of stabilization funds, this application did not sufficiently meet the application criteria to receive an award.

### **D. SFY10 Final Summary**

Overall, the general conditions reinforce existing requirements governed by the regulatory authority of the Department such as licensing rules related to the provision of health care services, reporting of financial and quality indicators by facility and compared statewide, review of procedures related to maintaining and

improving enrollment in available governmental programs, and information sharing between the facility and the State by participating on governing boards. All grant recipients met the reporting requirements and complied with administrative grant requirements of OMB A-133.

**i. General Conditions**

All of the nine SFY10 grantees met the general conditions placed on all grantees. Each of the specific indicators will be addressed in the grantee summaries below.

General Conditions	Christ Hospital	East Orange General Hospital	Hoboken Municipal Hospital Authority d/b/a Hoboken University Medical Center	Liberty Health/ Jersey City Medical Center	Raritan Bay Medical Center	St. Barnabas Health Care System/ Newark Beth Israel Medical Center	St. Clare's Health Services	St. Mary's Hospital	Trinitas Regional Medical Center
Grantees must provide monthly reports documenting progress on the performance and quality conditions*	•	•	•	•	•	•	•	•	•
Enroll and participate in the Universal Coverage for Infants pilot program	•	•	•	•	•	•	•	•	•
Include a State representative on the hospital board for the duration of the grant	•	•	•	•	•	•	•	•	•

\* The Notice of Award and grant period was for a six month term. The Department accepted summary reports for the grant term.

Each grantee submitted documentation concerning the general conditions. The Department's approach to the general conditions was to routinize the administrative reporting to the Department as well the role of the Department in interacting with the Hospital Board.

**ii. Hospital Specific Conditions**

**Christ Hospital**

Christ Hospital serves a high percentage of public and indigent payer mix. These factors support extraordinary need for the population served by the facility. Christ Hospital reported on the general conditions. The facility needs to address long-term financial stability.

Specific Condition	Status
Allocate \$200,000 of the grant award for the immediate procurement of a health care consulting firm which will be selected and supervised by the Health Care Facilities Financing Authority. This engagement's goal is to evaluate the current inventory of Hudson county health care services for duplication and unused capacity and propose Recommendations for consolidation or regionalization of services. The results of this report must be presented to the Commissioner for the Department of Health & Senior Services by June 1, 2010.	The requested report is not completed as the original engagement was extended to allow for additional services, which services are not complete pending review of additional information. A portion of the payment is still outstanding.

**East Orange General Hospital**

East Orange General Hospital serves a high percentage of public and indigent payer mix. These factors support extraordinary need for the population served by East Orange General Hospital as well as continued access to necessary services particularly in the area of dialysis and mental health care. East Orange General Hospital submitted progress reports and has sufficiently leveraged the stabilization funds to review necessary services and implement improvements to overall operations.

Specific Condition	Status
Develop a plan to implement the recommendations to transfer primary care clinics to a federally qualified health center	<ul style="list-style-type: none"> <li>○ A continuation of the SFY09 grant, a comprehensive inventory of all ambulatory services in the region completed. Meeting with stakeholders to discuss next steps.</li> </ul>
Reduce Average Length-of-Stay by an additional ½ day (Recognition of the success previous year's efforts in this area.)	<ul style="list-style-type: none"> <li>○ Case Mix Adjusted Average Length of Stay reduced from 2008 baseline.</li> </ul>

<p>Develop a plan to address quality of care and utilization for end-of-life care.</p>	<ul style="list-style-type: none"> <li>○ Developed a comprehensive “Palliative Care” Program that includes an interdisciplinary team and focuses on providing total active supportive care for persons with advanced, terminal and/or chronic progressive life-limiting conditions.</li> </ul>
<p>Increase scores for process of care measures for Heart Attack, Pneumonia and Surgical Care to levels consistent with the state medians.</p>	<ul style="list-style-type: none"> <li>○ Continue to review as a quality indicator. Quality scores improved for areas identified.</li> </ul>

### Hoboken Municipal Hospital Authority d/b/a Hoboken University Medical Center

Hoboken University Medical Center serves a high percentage of charity care patients and provides access to health care services. Hoboken University Medical Center submitted progress reports on the general and specific conditions. The facility needs to address long-term financial stability.

Specific Condition	Status
<p>Allocate \$200,000 of the grant award for the immediate procurement of a health care consulting firm which will be selected and supervised by the Health Care Facilities Financing Authority. This contract is intended to evaluate the current inventory of health care services in each of the hospital’s primary service area for duplication of services and unused capacity and to propose recommendations for consolidation or regionalization of services. The results of this report must be presented to the Commissioner for the Department of Health &amp; Senior Services by June 1, 2010.</p>	<ul style="list-style-type: none"> <li>○ The requested report is not completed as the original engagement was extended to allow for additional services, which services are not complete pending review of additional information. A portion of the payment is still outstanding.</li> </ul>
<p>Reduce average length of stay by an additional ½ day.</p>	<ul style="list-style-type: none"> <li>○ HUMC documented efforts to reduce Adjusted Average Length of Stay. In 2010, established a hospitalist program has successfully reduced ALSO from baseline.</li> </ul>
<p>Review and develop recommendations for reducing the number of FTE’s per adjusted bed.</p>	<ul style="list-style-type: none"> <li>○ HUMC ranked 2<sup>nd</sup> in the State for FTEs (NJHA FAST report).</li> </ul>
<p>Review and develop recommendations for reducing expense per adjusted admission.</p>	<ul style="list-style-type: none"> <li>○ Current reports indicate HUMC expense per adjusted admission is below the State average. Documented reductions to physician</li> </ul>

	fees, vendor costs, and board salary reductions to reach reduction in expense per adjusted admission.
Secure a contingency contract with a firm that specializes in revenue improvements (unless one has been completed recently or is currently underway.)	<ul style="list-style-type: none"> <li>o Contract in place for billing/revenue collection and patient accounting services since 2007 to enhance revenue capture and improve payment accuracy.</li> </ul>
Demonstrate that mechanisms are in place to ensure individual physician accountability for adherence to core measures, quality indicators, utilization criteria, appropriate “end of life” care, and CMI adjusted LOS measures, with particular emphasis on Medicare LOS.	<ul style="list-style-type: none"> <li>o Documented strategies and measures to ensure individual physician adherence to CORE Measures and Quality Indicators.</li> </ul>
Demonstrate that the hospital maintains an effective Patient Safety Reporting system and Root Cause and Sentinel Event Analysis program which meets national benchmarks for the number of analyses per 1000 discharges and which reports adverse events to the State as legally required.	<ul style="list-style-type: none"> <li>o Documented process for reporting system including monthly meetings of multi-disciplinary team, Board authorized Quality Committee, and Sentinel Events and Reportable Events Policies.</li> </ul>
Decrease Inpatient Quality Indicator-Risk Adjusted Mortality scores for Surgical Procedure Carotid Endarterectomy to state averages.	<ul style="list-style-type: none"> <li>o Continue to review as a quality indicator. HUMC reports zero mortality for this procedure since 2007.</li> </ul>
Decrease Inpatient Quality Indicator-Risk Adjusted Mortality scores for Medical Procedures for Strokes to state averages.	<ul style="list-style-type: none"> <li>o Continue to review as a quality indicator. HUMC reports mortality rates are below the rates reported for NJ hospitals that have stroke designation.</li> </ul>
Decrease Patient Safety Indicator Rates for Obstetric trauma-vaginal delivery without instrument to state average.	<ul style="list-style-type: none"> <li>o Continue to review as a operational and financial indicator. Reporting risk as significantly lower than prior years.</li> </ul>

**Liberty Health (Jersey City Medical Center)**

Liberty Health (Jersey City Medical Center) serves a high percentage of public and indigent payer mix as a safety net hospital. Liberty Health has actively engaged consultants in addressing stability for this facility. Actions have resulted in operational improvements and decreased reliance on State emergency funding. Hospital submitted progress reports and has sufficiently leveraged the stabilization funds to review necessary services and implement improvements to overall operations.

Specific Condition	Status
<p>Allocate \$200,000 of the grant award for the immediate procurement of a health care consulting firm which will be selected and supervised by the Health Care Facilities Financing Authority. This contract is intended to evaluate the current inventory of health care services in the [sic] each of the hospitals' primary service areas for duplication of services and unused capacity and to propose recommendations for consolidation or regionalization of services. The results of this report must be presented to the Commissioner of the Department of Health &amp; Senior Services by June 1, 2010.</p>	<ul style="list-style-type: none"> <li>○ The requested report is not completed as the original engagement was extended to allow for additional services, which services are not complete pending review of additional information.</li> </ul>
<p>Prepare and submit plan for resolving the on-going losses at Meadowlands Hospital by March 31, 2010.</p>	<ul style="list-style-type: none"> <li>○ Liberty Health reached an agreement to sell Meadowlands Hospital, which is currently under review. *</li> </ul>
<p>Review and develop recommendations for reducing the number FTE's per adjusted bed.</p>	<ul style="list-style-type: none"> <li>○ Continue to review as an operational and financial indicator. Currently reviewing all systems to determine if additional performance improvement opportunities are available.</li> </ul>
<p>Review and develop recommendations for reducing expense per adjusted admission</p>	<ul style="list-style-type: none"> <li>○ Continue to review as an operational and financial indicator. Currently reviewing all systems to determine if additional performance improvement opportunities are available.</li> </ul>
<p>Demonstrate that mechanisms are in place to ensure individual physician accountability for adherence to core measures, quality indicators, utilization criteria, appropriate "end of life" care, and CMI adjusted LOS measures, with particular emphasis on Medicare LOS.</p>	<ul style="list-style-type: none"> <li>○ Continue to review as quality indicator. Documented educational and collaborative process working with individual physicians and Department Chairs to identify opportunities to improve and deliver patient care. Trending of scores indicate improvements in all areas.</li> </ul>
<p>Demonstrate that the hospital maintains an effective Patient Safety Reporting system and Root Cause and Sentinel Event Analysis program which meets national benchmarks for the number of analyses per 1000 discharges and which reports adverse events to the State as legally required.</p>	<ul style="list-style-type: none"> <li>○ Documented interdisciplinary Core Measure teams to monitor compliance and educational measures and proactive measures to reduce risk.</li> </ul>

\*The transaction was reviewed by the NJDHSS and the Attorney General and approved.

## Raritan Bay Medical Center

Raritan Bay Medical Center (RBMC) notes a governmental payor mix of 73 percent. Surrounding hospitals do not have sufficient capacity to meet services provided by Raritan Bay Medical Center. RBMC investigated the sale of one division but discontinued discussion with potential partners. Hospital submitted progress reports and has sufficiently leveraged the stabilization funds to review necessary services and implement improvements to overall operations. Long-term strategic planning needs to be implemented.

Specific Condition	Status
Complete the Sale of the Raritan Bay Old Bridge Hospital.	<ul style="list-style-type: none"> <li>o Facilities collectively agreed to end discussions in regards to the sale. RMBC continues to review the Old Bridge Division to add a Medical Office Building and out-patient services.</li> </ul>
Increase scores for process of care measures for Heart Attack, Surgical Care and Heart Failure to levels consistent with the state medians.	<ul style="list-style-type: none"> <li>o Continue to review as quality indicator. Trending of scores indicate improvements in all areas.</li> </ul>
Come into full compliance with HAI reporting timeframes.	<ul style="list-style-type: none"> <li>o Fully compliant.</li> </ul>
Decrease Patient Safety Indicator Rates for Obstetric trauma-vaginal delivery without instruments to the statewide average.	<ul style="list-style-type: none"> <li>o Continue to review as quality indicator. Trending of scores indicate improvement in measure.</li> </ul>

## St. Barnabas Health Care System/Newark Beth Israel Medical Center/Children’s Hospital of New Jersey (NBIMC/CHONJ)

NBIMC/CHONJ provides access to health care services in a community, which has seen closure of several hospitals. The hospital participates in health planning activities coordinated by the Department of Health and Senior Services. The hospital submitted progress reports and has sufficiently leveraged the stabilization funds to review necessary services and implement improvements to overall operations.

Specific Condition	Status
Review and develop recommendations for reducing the number FTE’s per adjusted bed which exceed industry standard.	<ul style="list-style-type: none"> <li>o Provided additional information concerning this measure specifically as it relates to peer category. Sufficiently identified compliance and rate as lower than benchmark for</li> </ul>

	Major Teaching Hospitals.
Review and develop recommendations for reducing expense per adjusted admission.	<ul style="list-style-type: none"> <li>○ Documented rationale related to cost infrastructure. Plans include volume growth strategy, review of revenue stream and expense management.</li> </ul>
Demonstrate mechanisms are in place to ensure individual physician accountability for adherence to core measures, quality indicators, utilization criteria, appropriate “end of life” care and CMI adjusted LOS measures, with particular emphasis on Medicare LOS.	<ul style="list-style-type: none"> <li>○ Documented strategies and measures to evaluate clinical practice including CORE Measures and Quality Indicators involves a multidisciplinary team and Ongoing Professional Practice Evaluation.</li> </ul>
Demonstrate hospital maintains an effective Patient Safety Reporting system and Root Cause and Sentinel Event Analysis program which meets national benchmarks for number of analyses per 1000 discharges and which reports adverse events to the State as legally required.	<ul style="list-style-type: none"> <li>○ Documented additional oversight process as part of NBIMC Patient Safety Program and voluntary participation in State-wide collaborative improvement projects.</li> </ul>
Decrease Inpatient Quality Indicator - Risk Adjusted Mortality scores for Surgical Procedure Carotid Endarterectomy to state averages.	<ul style="list-style-type: none"> <li>○ Continue to review as quality indicator. Documented process of individual case review of each complication and oversight as part of hospital wide performance improvement activities.</li> </ul>
Decrease Patient Safety Indicator Rates for Iatrogenic pneumothorax and Post-operative pulmonary embolism (PE) or deep vein thrombosis (DVT) to state averages.	<ul style="list-style-type: none"> <li>○ Continue to review as quality indicator. Documented process indicates additional focus required in this area.</li> </ul>

### St. Clare’s Health Services

St. Clare’s Health Services received an award to support its initiatives to provide necessary health care services to the community. Specifically in support of the planned remediation of health safety conditions at the facility. No special conditions were added to the general conditions.

### Saint Mary’s Hospital

Saint Mary’s Hospital is the sole provider of health care in the City of Paterson. Several critical activities were not implemented due to the poor economy and market competition. Recently SMH has implemented additional services and

strengthened relationships with physicians. Long-term planning needs to continue.

Specific Condition	Status
<p>As mutually agreed, SMH must continue its search for a strategic partner or association with another healthcare system. Accordingly, within five (5) months of the Effective Date of its Plan of Reorganization, Saint Mary's will commence a search to find a suitable merger partner, association with a healthcare system and/or hospital that has demonstrated economic stability over the years and shall guarantee that all existing services now offered at Saint Mary's will continue to be offered for a period of not less than five (5) years from the closing of such merger, association or acquisition (the "Qualified Partner"). While a Qualified Partner may be either a "for profit" or "not for profit" entity, in order to be initially qualified to participate in the process, it nevertheless must, to the satisfaction of the State of New Jersey Department of Health ("NJDOH") and Saint Mary's, be an entity that : (i) has a demonstrated and proven track record in healthcare; (ii) in the last two (2) years has not been in violation of any conditions of a Certificate of Need issued by NJDOH at any facilities it has owned or operated; (iii) within the last two (2) years has not been found in violation of any federal or state laws; (iv) fully discloses corporate structures, investors and owners; (v) demonstrates that it has the necessary funds and/or financial commitments in place to service all debt service and maintain current levels of services; and (vi) continue to recognize both JNESO and Local 68 of the Operating Engineers AFL/CIO as collective bargaining unions for the employees of Saint Mary's. Saint Mary's shall periodically report the status of its efforts to the NJDOH Commissioner.</p> <p>Notwithstanding the foregoing, if for three (3) consecutive quarters following the Effective Date of its Plan Saint Mary's can demonstrate to the</p>	<ul style="list-style-type: none"> <li>o SMH is monitoring organizational effectiveness and indicators.</li> </ul>

satisfaction of the NJDOH its financial stability by meeting and/or exceeding its projections whereby it will be evident that it will no longer need to seek further Stabilization Grants, it may delay its search for a Qualified Partner.	
Make the full debt service owed to bondholders on March 1, 2010.	<ul style="list-style-type: none"> <li>o Completed.</li> </ul>
Review and develop recommendations for reducing the number FTE's per adjusted bed.	<ul style="list-style-type: none"> <li>o Continue to review as an operational and financial indicator. Currently reviewing all systems to determine if additional performance improvement opportunities are available.</li> </ul>
Review and develop recommendations for reducing expenses per adjusted admission.	<ul style="list-style-type: none"> <li>o Continue to review as an operational and financial indicator. Currently reviewing all systems to determine if additional performance improvement opportunities are available.</li> </ul>
Increase scores for process of care measures for Heart Attack, Surgical Care and Heart Failure to levels consistent with the state medians.	<ul style="list-style-type: none"> <li>o Continue to review as a quality indicator.</li> </ul>
Increase Cardiac Surgery volume to maintain Open Heart Surgery license and maintain quality standards (i.e. risk-adjusted mortality – similar state average.)	<ul style="list-style-type: none"> <li>o Documented efforts to monitor and work with physician staff to ensure compliance.</li> </ul>
Come into full compliance with HAI reporting timeframes.	<ul style="list-style-type: none"> <li>o Fully compliant.</li> </ul>

### Trinitas Regional Medical Center

Trinitas Hospital received an award to support its initiatives to maintain access to health care services, improve organizational efficiencies, and information technology. No special conditions were added to the general conditions.

# **Fiscal Year 2011 (SFY11)**

## VI. Status Fiscal Year 2011 (SFY11)

The SFY 2011 Appropriations Act, P.L. 2010, c.35 allocated \$30 million to the Health Care Stabilization Fund. Based on the availability of funding, the Department published a Notice of Grant Availability on the Department's web site at <http://nj.gov/health/grants/directory.shtml> and published in The New Jersey Register. 43 NJR 210(a). The Department received 12 applications.

### A. Eligible Applicants, Recommendations, and Award

After a thorough review of all the eligible applications, the committee, in consultation with the Health Care Financing Funding Authority and the State Treasurer recommended the following grant awards to 10 facilities as follows:

Grantee/Applicant	SFY11 Amount Requested	SFY 11 Amount Awarded
Christ Hospital	\$ 18,000,000	\$ 7,000,000
Clara Maass Medical Center	\$ 3,761,000	
East Orange General Hospital	\$ 5,000,000	\$ 3,053,000
Hoboken Municipal Hospital Authority	\$ 7,000,000	\$ 4,100,000
Jersey City Medical Center	\$ 10,000,000	\$ 3,053,000
Kimball Medical Center	\$ 10,000,000	\$ 1,221,000
Our Lady of Lourdes Health Foundation	\$ 2,500,000	\$ 1,221,000
Raritan Bay Medical Center	\$ 8,000,000	\$ 4,000,000
Saint Mary's Hospital of Passaic	\$ 23,766,000	\$ 3,300,000
St. Clare's Hospital of Passaic	\$ 8,000,000	\$ 1,831,000
Trinitas Regional Medical Center	\$ 7,000,000	\$ 1,221,000
University of Medicine and Dentistry of NJ	\$ 7,873,603	
	\$ 110,900,603	\$ 30,000,000

Due to the number of qualified applicants, DHSS made the decision to reduce the award compared to the requested amount based on the rationale that this decision was fair and equitable to the intent of the Act. The grant project period and budget period was January 1, 2011 to June 30, 2011.

### B. Application Process and Evaluation Criteria

As in SFY10, the Request for Application directed applicants on the application process including, but not limited to, the grant forms, project narrative requirements, and supporting documentation. Beginning in SFY11, the application was completed through NJ SAGE, an on-line application process. The standard forms, auditing and record keeping controls apply.

Specifically, the Request for Application identified the criteria that each applicant was to address in its submission. There were no changes in the criteria for SFY10, which are included above. In addition to the criteria, the Department requested additional information pertaining to governing board training, annual meeting activity, and executive management salary, and consultant costs.

### **C. SFY11 Evaluation Summary Narratives**

The Section SFY11 Evaluation Narratives describes the rationale for awards and the hospital's efforts at continuation of access and availability of necessary health care services to residents in the community. The Department is in the process of finalizing conditions on all facilities and then each facility received conditions directed to the specific hospital or community. The narratives are presented in alphabetical order based on award recommendations and, unless otherwise noted, contain summary statements of information available at the time of grant selection. The awards were announced in March 2011 and the Department is still in the process of finalizing specific grant conditions with each hospital. The general conditions are included at the end of this section.

APPLICANT NAME: Christ Hospital

A main priority outlined in the Act and the Request for Application was a need for stabilization funds due to hospital closure or need for stabilization of health care services with a demonstration of extraordinary circumstances. Christ Hospital continues to experience financial stress in large part due to rebasing, poor payer mix, and pension underfunding. There remains a potential for closure and disruption to the availability and access to necessary health care services. Christ Hospital is strengthening community affiliations to maintain access to services. Long-term planning must occur in order to stabilize the region's hospitals. Christ Hospital participated in regional discussions with Hudson County Hospitals and continues to pursue strategic partnerships. This application responds to the goals and objectives of the Act in ensuring stabilization to a facility and maintaining access to the community.

APPLICANT NAME: East Orange General Hospital

East Orange General Hospital has documented appropriate efforts to improve organizational efficiencies and sale of nonperforming assets and continues to experience financial stress. The Hospital has no parent organization or affiliates to supplement programs or services. The closure of surrounding hospitals continues to have an impact on this facility. The facility outlined critical services provided to the community including mental health. The facility also identified barriers to access as there is limited transportation available in this community to reach other facilities. In meeting the conditions associated with the Health Care

Stabilization Fund, the facility has demonstrated efforts to improve efficiencies, facility management and governance, documented organizational improvements, decreased length of stay, actively entered into discussions with a federally qualified health center, and improved core measures based on prior stabilization funds and monitoring conditions. This facility's application continues to respond to the goals of maintaining access to the community. The facility must present a reasonable long term strategy to sustain health care services for this community without on-going stabilization funding.

APPLICANT NAME: Hoboken Municipal Hospital Authority d/b/a Hoboken University Medical Center

A main priority outlined in the Act and the Request for Application was a need for stabilization funds due to hospital closure or need for stabilization of health care services with a demonstration of extraordinary circumstances. The facility outlined key services including obstetrics and behavioral health and outpatient clinics serving this community. There remains a potential for closure and disruption to the availability and access to necessary health care services. Long-term planning must occur in order to stabilize the region's hospitals. Hoboken University Medical Center participated in regional discussions with Hudson County Hospitals and continues to review strategic partnerships. It published a Request for Proposals for the sale of the hospital and has entered into a Letter of Intent with the successful bidder.

APPLICANT NAME: Liberty Health (Jersey City Medical Center)

This applicant successfully documented the circumstances creating the need for health care stabilization by describing the population and community, the facilities' current barriers to service provision, and need for stabilization of health care services that is impacting facility. In meeting the conditions associated with the Health Care Stabilization Fund, the facility has demonstrated efforts to improve efficiencies, facility management and governance, documented organizational improvements, decreased length of stay, and improved financial indicators. Due to payor mix and on-going active management of system efficiencies, there is limited availability to alternative funding or easy reductions in expenses or revenue growth. Liberty Health recently completed the transfer of Meadowlands Hospital and it is anticipated that this transaction will strengthen Liberty Health as well as on-going administrative review of opportunities to improve operations.

APPLICANT NAME: St. Barnabas Health Care System/Kimball Medical Center

This applicant provided a good general and detailed description of the population and community served and current barriers to service provision. It provides necessary services including, but not limited to outpatient clinics and psychiatric

services, for low income patients. It is part of a larger system that is stable but the System is still faced with major with financial challenges that negatively impact its ability to fund and preserve essential health services. Kimball Medical Center must implement long term strategic planning to assure it is able to provide the community with health care services. This includes addressing market conditions and ability to sustain services without on-going stabilization funding.

APPLICANT NAME: Our Lady Of Lourdes

The applicant provides necessary community primary care clinic services. Surrounding clinics and federally qualified health centers are insufficient to absorb the volume of patients should the facility close. The facility receives annual subsidy from its parent to operate and has limited alternative funding sources as it serves a primarily under or uninsured population. The applicant is taking reasonable steps to partner with a federally qualified health center and to maintain services.

APPLICANT NAME: Raritan Bay Medical Center

This applicant documented financial circumstances creating the need for health care stabilization due to DSH repayment and pension obligations. It provides necessary services including, but not limited to, inpatient psych, OB/Peds, and ER Crisis stabilization. Although there are similar services provided at surrounding hospitals, there is insufficient capacity to meet unplanned closure. The facility discussed possible sale of one division but discussions were terminated voluntarily by both parties. The facility needs to address market conditions and ability to sustain services without on-going stabilization funding.

APPLICANT NAME: St. Mary's Hospital

The applicant successfully documented the impact of hospital closures on the facility's service creating the need for health care stabilization. The applicant described the population, community, and the facilities' current barriers to service provision. The facility provides necessary primary care clinics, obstetrics, and emergency department access. The HCFFA participates on the facility's finance committee and the State is actively monitoring financial conditions. The facility must present a reasonable long term strategy to sustain health care services for this community without on-going stabilization funding.

APPLICANT NAME: Saint Clare's Hospital, Inc.

The applicant successfully documented the impact of closure of a health care service on the facility creating the need for health care stabilization. The facility provides 40% of behavioral health programs in the market and evidences high occupancy. The hospital is part of a larger health care system although the

applicant states limited access to resources. The facility must present a reasonable long term strategy to sustain health care services for this community without on-going stabilization funding.

APPLICANT NAME: Trinitas Regional Medical Center

This applicant documented the impact of a closure of a hospital on the facility creating the need for health care stabilization. Trinitas documented general and specific operational improvements, efficiencies, and long-term strategies to improve stability. It expanded psychiatric and obstetric services when Muhlenberg Hospital closed. The facility has documented a long-term plan to improve financial stability but has identified rebasing as a critical event, which did not allow full implementation. The facility must present a reasonable long term strategy to sustain health care services for this community without on-going stabilization funding.

NO RECOMMENDATION TO AWARD HEALTH CARE STABILIZATION FUNDS  
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APPLICANT NAME: St. Barnabas Health Care System/Clara Maass Medical Center

Based on the availability of funds, this application did not sufficiently address the application criteria to receive an award. The applicant identified improvements and projections to cash flow going forward and provide sufficient capital to maintain existing operations. This facility is part of a larger system.

APPLICANT NAME: UMDNJ/University Hospital

Based on the availability of funds, this application did not sufficiently address the application criteria to receive an award. The applicant identified the need for replacement equipment for specific service. There was insufficient reference to long-term strategic planning. Based on Governor's Executive Order No. 51 authorizing an expert panel to review the structure of UMNDJ, it is appropriate to wait for the review of this panel. Based on availability of stabilization funds, this application did not sufficiently meet the application criteria to receive an award.

**i. SFY11 General Conditions**

Overall, the general conditions reinforce existing requirements governed by the regulatory authority of the Department such as licensing of health care services as well as quality indicators by facility and compared statewide, procedures related to maintaining and improving enrollment in available governmental programs, and information sharing between the facility and the State by

participating on governing boards. All grant recipients met the reporting requirements and complied with administrative grant requirements of OMB A-133. The SFY11 general conditions are as follows:

#### General Conditions For All Hospitals

Provide monthly reports documenting performance and quality conditions required of all licensed facilities

Document process and procedures for verification, eligibility and financial counseling for all governmental payors including, but not limited to, charity care, Medicaid, Family Care.

Refund the entire award to the NJ DHSS, if Grantee knowingly makes a false material misrepresentation in any application, report or other disclosure that the applicant was or is required to make pursuant to the award.

Agree that stabilization funds may be used towards salaries in any combination of funding categories excluding direct line items for executive management salaries or bonus, if applicable. In other words, any combination of salaries may be charged to the stabilization grant except for executive management salaries or bonus.

Include a State representative on the hospital board for the duration of the grant.

In addition, each hospital will receive special conditions.

#### **VII. CONCLUSION**

Overall, the authorization by the Legislature of a Health Care Stabilization Fund provides the Department of Health and Senior Services with a mechanism to assist hospitals in maintaining health care services. In addition to the Fund, the Department has provided more structure in monitoring financial indicators and required documentation for facilities to concretely outline measures that are expected to improve efficiencies and improve patient care. However, increasing competition, both from acute care facilities and out-patient services, as well as changes related to health care reform continue to create financial stress on New Jersey's health care system and the hospitals operating within that system.

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## ENDNOTES

<sup>i</sup> On 06/30/2008, S1978 was codified at N.J.S.A. 26:2h-18.74 *et seq.* as the “Health Care Stabilization Fund Act.”

<sup>ii</sup> On 08/8/2008, S1796 was codified at N.J.S.A. 26:2H-5 *et seq.*

<sup>iii</sup> Negative Outlook for U.S. Not-For-Profit Healthcare Sector Continues for 2011 Continuation of Negative Outlook Driven by Slow Economic Recovery and Ongoing Revenue Pressures. Moody’s Investors Services (February 3, 2011).

<sup>iv</sup> New Jersey Commission New Jersey Commission on Rationalizing Health Care Resources, Final Report 2008. <http://www.nj.gov/health/rhc/finalreport/index.shtml>

<sup>v</sup> The Department of Human Services adopted administrative rules to establish a new diagnosis related group (DRG) rate setting methodology, based on a DRG weighting system, using recent Medicare cost report and claim data. The new DRG rates reimburse New Jersey general acute care hospitals for Medicaid fee-for-service inpatients and are also used to price inpatient charity care claims used to determine annual charity care subsidy payments to hospitals.