



Senator Loretta Weinberg

Assemblyman Gordon M. Johnson

Legislative District 37

August 26, 2008

Governor Jon S. Corzine
New Jersey Statehouse
125 West State Street
Trenton, NJ 08625

Dear Governor Corzine:

We understand Hackensack University Medical Center, in a joint venture with a private, for-profit medical school, Touro University, and a Texas private equity firm, Legacy Hospital Partners, is seeking approval to open a for-profit acute care hospital and medical school on the former Pascack Valley Hospital (PVH) site.

In our view, granting this approval to open an acute care hospital at the former PVH location would represent irrational health policy and send the wrong message to New Jersey residents and the entire health care industry during a time of fiscal constraint, reduced charity care payments and in the face of numerous hospital closures occurring throughout New Jersey.

Your Administration has worked courageously to promote more rational and effective health care policy and hospital management practices. The New Jersey Commission on Rationalizing Health Care (commonly known as the Reinhardt Commission after its Chairman Uwe Reinhardt, who also serves on the Board of Directors of Legacy Hospital Partners), found that:

"The State currently faces an oversupply of hospital beds that is manifest in every market area of the State, but most pronounced in the Hackensack, Ridgewood, Paterson and the Newark/Jersey City market areas. The estimated bed surplus in the Hackensack, Ridgewood and Paterson area is the equivalent of between 2 and 3 hospitals of the average bed size of hospitals now in that market area."

The oversupply of hospitals and hospital beds is a direct cause of the bankruptcy and closing of numerous hospitals in Northern New Jersey in the last two years including: Pascack Valley Hospital in Westwood, Muhlenberg Regional Medical Center in Plainfield, Liberty Health (Greenville Hospital) in Jersey City, Saint James Hospital and Columbus Hospital in Newark, Barnert Hospital in Paterson, Union Hospital, HEALTHSOUTH Specialty Hospital in Union, Passaic General Hospital and PBI Regional Medical Center in Passaic.

These closures have not been easy, but as your Administration has rightly argued, the reduction of excess hospital bed capacity is a necessary part of health care reform. In fact, you yourself noted in a meeting with hospital CEO's that there are too many hospitals in the State and that "some hospitals will actually benefit from closures of others."

Moreover, the Commissioner of the Health and Senior Services Department, Heather Howard, stated that "we've (the state) operated far too long in a kind of culture of crisis management...we're trying to move to one of strategic management." Ms. Howard strengthened her position on the necessity for hospital closures when she testified before the Senate Budget and Appropriation Committee that "some hospitals may need to close, and when a hospital closes it may make other hospitals stronger in that area. In some cases we may need to let market forces take effect. ... What our job is to do is to make sure that we're saving the safety nets and let the government focus aid on the most needy areas."

As you, Commissioner Howard, and many experts predicted, the closure of financially weak hospitals has strengthened the surrounding hospitals and has had the effect of improving the overall health care delivery system in the Bergen County area. This bears out the Reinhardt Commission's finding of "considerable slack in the market such that the patient loads of one or two 'non-

essential' hospitals could be absorbed by other hospitals in the (Hackensack, Ridgewood and Paterson) market area." The closure of PVH has resulted in increased occupancy rates, financial improvements, and improved patient care in the remaining five Bergen County hospitals namely, Valley Hospital, Hackensack University Medical Center, Bergen Regional, Holy Name Hospital, and Englewood Hospital and Medical Center, the only Bergen County acute care hospital that engages in collective bargaining with a recognized union. These hospitals have increased their operating capacity, helped the physician community to transition their practices and employed many of the former PVH employees including Englewood's hiring of 40 union nurses. These hospitals strengthened their commitment to the affected communities and provided excellent uninterrupted access to exceptional care.

Even after the closure of PVH ten months ago, there remains licensed capacity in each of the Bergen County hospitals to further expand (if needed) their inpatient beds, outpatient services and emergency services. Holy Name just opened a new Emergency Department facility greatly expanding its ability to meet current and future demands. Englewood Hospital and Medical Center will open its new Emergency Department in 2009 in a facility which triples the size and services of its existing program.

We also understand that the initial purchase of Pascack Valley Hospital by Hackensack University Medical Center did not undergo a CHAPA review. A CHAPA review is required in order to transfer the license during the purchase of a hospital. It is unclear to us why this review did not take place unless it was made clear at the time that it was not the intent of the purchase to transfer the license. However, this issue and an eventual CHAPA review should be considered as part of this subsequent application to transfer the license.

Reopening Pascack Valley under the auspices of the for-profit, Hackensack University Medical Center joint venture would directly contradict the Reinhardt Report, significantly damage the financial strength of the other Bergen County hospitals (many of which had to withstand deep cuts in charity care funding), and send a confusing signal to the New Jersey health care community about the Administration's commitments to its elaborated policies.

It is imperative to note that granting this approval will send a message to communities throughout the state that only urban hospitals should close while suburban hospitals deserve a second or third chance.

We also have serious concerns regarding the joint venture partner seeking to reopen PVH, namely, Legacy Hospital Partners. Will Legacy joint venture certain services with physicians? Has Legacy been successful in reopening failed hospitals in other areas of the country? What is their track record with respect to patient care? Will they prevent union employees from working at a reopened Pascack Valley Hospital? What is the role of Mr. Reinhardt? These questions should be addressed before Hackensack's request is even considered.

We thank you in advance for your consideration of these issues and for your laudable efforts to ensure the financial integrity of the New Jersey health care system. We look forward to your response and thank you in advance for your consideration.

Sincerely,



Loretta Weinberg
Senator, District 37



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