



State of New Jersey

DEPARTMENT OF HEALTH AND SENIOR SERVICES

PO BOX 360
TRENTON, N.J. 08625-0360

JON S. CORZINE
Governor

www.nj.gov/health

HEATHER HOWARD
Commissioner

April 3, 2008

Dear Hospital CEOs:

As you all know, the State of New Jersey and the New Jersey hospital industry are currently confronted with extraordinary fiscal challenges. Our shared financial problems require us to develop unique and creative strategies to manage our limited resources and preserve access to health care services.

The New Jersey Commission on Rationalizing Health Care Resources included scores of recommendations to help improve the financial condition of the State's hospitals. We are prioritizing these recommendations and advancing them in several ways. First, we are reviewing each of the recommendations with the New Jersey Hospital Association, the Hospital Alliance of New Jersey, and the New Jersey Council of Teaching Hospitals to ascertain the feasibility of their implementation. We look forward to continuing that dialogue as we pursue any changes to our regulations.

Second, as recommended in the Reinhardt Report, the proposed Fiscal Year 2009 Budget creates a Health Care Stabilization Fund of \$35 million. The Stabilization Fund is necessary to address immediate financial needs of health care providers in maintaining access in the community. It will be used to ensure that the most vulnerable residents have continued access to care when hospitals are in distress or close. Institutions utilizing these resources will be subject to strict ongoing requirements and the funding will not be available to support ongoing operations. We look forward to working with the Legislature to craft this critical legislation as part of the budget process.

Third, we are visiting hospital boards to reinforce our appreciation for their efforts and to stress that the governance recommendations should be considered as a baseline standard that boards should have in place to ensure the efficient use of public funds.

Lastly, we are implementing recommendations where no formal processes are required, including developing components of the early warning system. In that regard, we are asking for your cooperation in assisting the State as we try to improve our monitoring of the financial condition of each hospital. Specifically, beginning in July 2008 we are initiating a requirement that the following financial metrics be provided monthly via email to the following address: Apollo@doh.state.nj.us:

Days Cash On Hand
Days Accounts Payable
Days Accounts Receivable
Operating Margin
Occupancy Rate

All of the data will be considered draft and therefore exempt from the Open Public Records Act and we will not require that it be reconciled with the standard quarterly submissions. Our intent is simply to obtain the critical data contained in your daily/weekly flash reports in a more timely manner.

We fully appreciate the industry's concerns about the Commission's Report and its implications for the hospitals and we are committed to having an open and honest discussion with you about the necessity and feasibility of the recommendations. However, please keep in mind that the report was commissioned to address the difficult financial condition in which the industry finds itself and it incorporates the concerns of not just the Commission members but also stakeholders and perhaps most importantly the public at large. As public officials we bear the responsibility of addressing these issues as timely and efficiently as possible.

If you have any questions regarding the collection of the financial data referenced above, please contact Matthew D'Oria, Deputy Commissioner, at 609-292-7874.

Sincerely,

/s/ Heather Howard
Heather Howard
Commissioner