



State of New Jersey
DEPARTMENT OF HEALTH
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www.nj.gov/health

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

CATHLEEN D. BENNETT
Commissioner

June 30, 2017

VIA ELECTRONIC AND FIRST CLASS MAIL

Teresa L. Salamon
Vice President & Deputy General Counsel
1419 Route 9 North Operations, LLC
101 E. State Street
Kennett Square, PA 19348

Re: Eastern Shore Center
CN# ER 160202-05-02
Project Cost: \$11,000,000
Expiration Date: June 30, 2022

Dear Ms. Salamon:

Please be advised that I am approving the Expedited Review Certificate of Need application for 1419 Route 9 North Operations, LLC, submitted on January 28, 2016, pursuant to N.J.A.C. 8:33-5.1(a)(12), for the relocation of Eastern Shore Center, a non-operational 120-bed long term care (LTC) facility. The licensed operator of this facility was 1419 Route 9 North Operations, LLC, a wholly owned subsidiary of Genesis HealthCare. Eastern Shore Center was formerly located at 1419 Route 9 North in Cape May Court House, Cape May County. The facility will relocate to Townbank Road in Cape May, which is also in Cape May County. This application is being approved at the total project cost as noted above.

N.J.S.A. 26:2H-8 provides for the issuance of a Certificate of Need only where the action proposed in the application for such certificate is necessary to provide required health care in the area to be served, can be economically accomplished and maintained, will not have an adverse economic or financial impact on the delivery of healthcare services in the region or statewide, and will contribute to the orderly development of adequate and effective health care services. In making such determinations, I must take into consideration: a) the availability of facilities or services which may serve as alternatives or substitutes, b) the need for special equipment and services in the area, c) the possible economies and improvement in services to be anticipated from the operation of joint central services, d) the adequacy of financial

resources and sources of present and future revenues, e) the availability of sufficient manpower in the several professional disciplines, and f) such other factors as may be established by regulation.

As to the aforementioned specifics of this application, I note that in identifying those services that are subject to expedited review, the Department of Health (Department) chose services that would have a minimal impact on the health care system as a whole and, therefore, for which a statistical bed need methodology would not be necessary. The services proposed in this application are subject to expedited review pursuant to N.J.A.C. 8:33-5.1(a)(12) and, therefore, a statistical bed need methodology is not required. I believe that the criterion regarding the availability of facilities or services which may serve as alternatives or substitutes is not applicable inasmuch as the services in this application will have a minimal impact on the health care system as a whole. The need for sufficient special equipment and services in the area does not apply as this application is for general long term care beds which do not require any special equipment or staff. The facility will realize economies of scale from the operation of joint central services as it is one of several healthcare facilities in New Jersey with common ownership. I believe that this project can be economically accomplished and maintained as the applicant projects a positive net income by the end of the first year of operation. I also note that while additional professional staff will be required to accommodate the implementation of these beds, I am confident that there is sufficient professional staff available in the area to meet those staffing needs.

Finally, I have taken into consideration the applicable regulations for the services subject to expedited review (i.e., N.J.A.C. 8:33-5.3 and 8:33H-1.16). I find that 1419 Route 9 North Operations, LLC, the proposed licensed operator, has provided an appropriate project description, which includes information as to the total project cost, operating costs and revenues, services affected, equipment involved, source of funds, utilization statistics, and justification for the proposed project (N.J.A.C. 8:33-5.3(a)(1)); assurance that all residents of the area, particularly the medically underserved, will have access to services (N.J.A.C. 8:33-5.3(a)(2)); and documentation that it will meet appropriate licensing and construction standards (N.J.A.C. 8:33-5.3(a)(3)(i)). In addition, the owners of Eastern Shore Center demonstrated a track record of substantial compliance with the Department's licensing standards (N.J.A.C. 8:33-5.3(a)(3)(ii)).

Please be advised that this approval is limited to the application as presented and reviewed. The application, related correspondence and any completeness questions and responses are incorporated and made a part of this approval. An additional review by the Department may be necessary if there is any change in scope, as defined at N.J.A.C. 8:33-3.9. However, a change in cost of an approved Certificate of Need is exempt from further review subject to the following:

1. The applicant shall file a signed certification as to the final total project cost expended for the project at the time of the application for licensure

for the beds/services with the Certificate of Need and Healthcare Facility Licensure Program.

2. Where the actual total project cost exceeds the Certificate of Need approved total project cost and is greater than \$1,000,000, the applicant shall remit the additional Certificate of Need application fee due to the Certificate of Need and Healthcare Facility Licensure Program. The required additional fee shall be 0.25 percent of the total project cost in excess of the Certificate of Need approved total project cost.
3. The Department will not issue a license for beds/services until the additional fee is remitted in full.

Approval of this application is conditioned upon the applicant's compliance with the following:

Approval of the relocation of the 120 beds, formerly at 1419 Route 9 North in Cape May Court House, is subject to Eastern Shore Center satisfying the Medicaid-eligible resident utilization requirement of N.J.A.C. 8:33H-1.15(a), or a higher standard that was imposed in a previous certificate of need approval, for the beds being relocated.

The Department, in approving this application, has relied solely on the facts and information presented to us. The Department offers no opinion as to whether the facility's proposed ownership or business organization is in compliance with the Codey Act, Board of Medical Examiners administrative rules and federal anti-referral (Stark) and federal anti-kickback laws. We have not undertaken an independent investigation of such information. If material facts have not been disclosed or have been misrepresented as part of this application, the Department may take appropriate administrative regulatory action to rescind the approval or refer the matter to the Office of the Attorney General.

Any approval granted by this Department relates to Certificate of Need and/or licensing requirements and does not imply acceptance by a reimbursing entity. This letter is also not intended as an approval of any arrangement affecting reimbursement or any remuneration involving claims for health care services. This approval is not intended to preempt in any way any municipality's authority to regulate land use within its borders and shall not be used by you to represent that the Department has made any such findings or determinations relative to the use of any specific property. Please be advised that services may not commence until such time as a license has been issued by the Certificate of Need and Healthcare Facility Licensure Program.

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Finally, regardless of any management agreement addressing the operation of the facility between the licensee and any other entity, the licensee is responsible for financial, operational and management control. All health services provided by the facility and the revenue generated by a facility from providing these health services are the responsibility of the licensee.

We look forward to working with you and helping you to provide a high quality of care to your residents. If you have any questions concerning this Certificate of Need, please do not hesitate to contact Mr. John A. Calabria, Director, Certificate of Need and Healthcare Facility Licensure Program, at (609) 292-8773.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alison Gibson', written in a cursive style.

Alison Gibson, RN, MA, MPA
Deputy Commissioner
Health Systems

c: J. Calabria