



State of New Jersey
DEPARTMENT OF HEALTH

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Governor

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Lt. Governor

KAITLAN BASTON, MD, MSc, DFASAM
Commissioner

August 27, 2024

VIA ELECTRONIC AND FIRST-CLASS MAIL

Mr. Robert Bein
Vice President & Senior Counsel
Osprey Rehabilitation, LLC
4714 Gettysburg Road
Mechanicsburg, Pennsylvania, 17055

Re: Bacharach Institute for Rehabilitation
CN# ER 2023-03315-01;01
Relocation and Replacement of a
Rehabilitation Hospital
Total Project Cost: \$42,787,910.00
Expiration Date: August 27, 2029

Dear Mr. Bein:

Please be advised that the Department of Health ("Department") is approving the Expedited Review Certificate of Need (ERC�) application submitted on February 27, 2023, pursuant to N.J.A.C. 8:33-5.1(a)(12), for the replacement and relocation of Bacharach Institute for Rehabilitation, a Comprehensive Rehabilitation Hospital licensed for 80 Comprehensive Rehabilitation beds, located in Atlantic County at 61 Jimmie Leeds Road in Pomona, New Jersey. The application is for the replacement/relocation of Bacharach Institute for Rehabilitation (License# 20125) from its existing location at 61 Jimmie Leeds Road, Pomona, New Jersey in Atlantic County to a new location at 23 Jimmie Leeds Road, Galloway Township, New Jersey 08205, also in Atlantic County. This application is being approved at the total project cost as noted above.

The project involves the construction of a replacement hospital and the relocation of Bacharach Institute for Rehabilitation to be renamed Bacharach Rehabilitation Hospital. This project anticipates a construction period of approximately three (3) years and will offer a three (3) story facility with a licensed capacity of sixty

(60) inpatient beds offering adult rehabilitation services. The first floor will have public areas, administrative areas, physical therapy room, pharmacy area, laboratory, and patient dining with the second and third floor having patient rooms with support services. Additionally, the new facility will offer programmatic treatment services, including but not limited to the following rehabilitations: general, orthopedic, amputee, stroke, brain injury, traumatic brain injury and spinal cord injury. The following specific discipline areas to be offered but not limited to include the following: physical medicine and rehabilitation physician services, rehabilitation nursing, physical therapy, occupational therapy, speech language pathology, recreational therapy, dietary services, case management, physician consultative services as needed, wound care management and psychological services as needed. With the construction of the new rehabilitation hospital, the inpatient bed capacity will be decreased from the original licensed eighty (80) beds to sixty (60) beds at the new facility.¹

The Department has taken into consideration the applicable regulation for the services subject to expedited review (i.e., N.J.A.C. 8:33-3.5(a)4). The Department finds that Osprey Rehabilitation, LLC has provided an appropriate project description. The project description includes information regarding the total project cost of \$42,787,910.00 for the replacement and relocation of the existing hospital. The operating costs and revenues were provided which reflected that by the second year of operation, the total revenue would be \$30,935,518.00 with expenses as \$23,749,884.00 so the Applicant would show a profit of \$7,185,634 by the end of the second year. In terms of services affected, the Applicant notes that the facility has already been closed by the previous owners as of March 31, 2023, due to a declining census and aging of the facility. The new facility will be a state-of-the-art facility located approximately 1.4 miles away from the previous location. The new facility will offer extensive rehabilitation services as a joint venture between Select Medical Corporation and AtlantiCare Health System, Inc., with Kessler Rehabilitation Services, Inc. providing management services. Both members of the joint venture and the management company have strong records in providing rehabilitation and outpatient services, and this expertise will afford the residents of the service area access to complex rehabilitation care and cost-effective rehabilitation services.

The justification for the proposed project (N.J.A.C. 8:33-5.3(a)(1)) as noted by the Applicant, upon completion of the replacement facility, comprehensive adult rehabilitation services within a newly constructed state-of-the art physical plant will exceed the minimum requirements and include the most advance treatment modalities

¹ As part of the application review process, the Department asked why the bed count was being reduced from 80 to 60. The applicant explained that this decision was based upon its analysis of demand for inpatient rehabilitation services in the Atlantic County Planning Region and on the experience of the proposed management company, Kessler Rehabilitation Services, inc., in developing and operating rehabilitation hospitals across the country, taking into account market factors, including evaluation of past and projected rehabilitation discharges from Atlantic County acute care hospitals, review of historical occupancy of Bacharach Rehabilitation at its current location in Galloway Township and projections of population growth.

N.J.A.C. 8:33-5.3(a)(3)(i)). The Applicant will assure 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 states that the replacement hospital will provide an alternative to the minimum scope of services available in the area regarding nursing home and ambulatory care facilities that are unable to meet the comprehensive needs of many post-acute patients. The Applicant has demonstrated a track record of substantial compliance with the Department's licensing standards as set forth in N.J.A.C. 8:33-5.3(a)(3)(ii) as there are no pending significant regulatory compliance events in the New Jersey facilities that are owned, operated, or managed by the Applicant as of the date of this letter.

This ERCN application is interrelated with a transfer of ownership application, #LA-20125-24258, which seeks the approval of the transfer the ownership and operating rights from the current operator, Bacharach Institute for Rehabilitation, Inc. to Osprey Rehabilitation, LLC, as outlined in the Department's letter, dated December 27, 2023, authorizing the parties to proceed with that transaction. This ERCN approval is being given to Osprey Rehabilitation, LLC, which will take ownership of the operating rights from Bacharach Institute for Rehabilitation, Inc. The Department is aware that the parties are awaiting this ERCN approval to proceed with the transaction approved in the December 27, 2023 letter.

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 certificate of need review subject to the following:

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

The Department, in approving this application, has relied solely on the facts and information presented. The Department has not undertaken an independent investigation of such information. If material facts have not been disclosed or have been misrepresented as part of this application, the Department may take appropriate administrative regulatory action to rescind the approval or refer the matter to the Office of the New Jersey Attorney General.

Any approval granted by this Department relates to Certificate of Need and/or licensing requirements only and does not imply acceptance by a reimbursing entity. This letter is not intended as an approval of any arrangement affecting reimbursement or any remuneration involving claims for health care services.

This approval is not intended to preempt in any way the authority to regulate land use within its borders and shall not be used by the applicant to represent that the Department has made any findings or determination relative to the use of any specific property.

Please be advised that services may not commence until a license has been issued by the Certificate of Need and Healthcare Facility Licensure Program to operate this facility. A survey by Department staff will be required prior to commencing services.

The Department looks forward to working with the applicant to provide high quality of care to Bacharach's patients. If you have any questions concerning this Certificate of Need approval, please do not hesitate to contact Michael J. Kennedy, J.D., Executive Director, Division of Certificate of Need and Licensing at Michael.Kennedy@doh.nj.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeff Brown', is positioned above the typed name.

Jeff Brown
Deputy Commissioner
Health Systems
New Jersey Department of Health

c: Stefanie J. Mozgai, DOH (Electronic mail)
Michael J. Kennedy, J.D., DOH (Electronic mail)

Luisa Alexopoulos, DOH (Electronic mail)
Kara Morris, DOH (Electronic Mail)
Kimberly Hansen, DOH (Electronic Mail)
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