



State of New Jersey
DEPARTMENT OF HEALTH

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

www.nj.gov/health

PHILIP D. MURPHY
Governor

TAHESHA L. WAY
Lt. Governor

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Commissioner

October 1, 2024

VIA U.S. FIRST- CLASS & ELECTRONIC MAIL

Patricia A. Toole, MAS
President & Chief Hospital Executive
Hackensack Meridian Health
Carrier Clinic
252 Route 601
Belle Mead, NJ 08502

Re: Hackensack Meridian Health Carrier Clinic
Expansion and Conversion of 16 Adult Acute
Open Psychiatric Beds to Pediatric Acute
Adolescent Closed Psychiatric Beds
CN# ER 2024-03351-18;01
Total Project Cost: \$29,022,000
Expiration Date: October 1, 2029

Dear Ms. Toole:

Please be advised the Department of Health (Department) is approving the Expedited Review Certificate of Need (ERCN) application submitted on March 1, 2024, for Hackensack Meridian Health Carrier Clinic (Carrier), a psychiatric hospital located in Somerset County at 252 Route 601, Belle Mead, New Jersey 08502, for the expansion and construction of a new Children's Pavilion and conversion of 16 Adult Acute Psychiatric beds (Open) to Pediatric Acute Psychiatric beds (Closed). This application is being approved at the total project cost noted above.

The Department has determined that the addition of 16 Pediatric Acute Psychiatric beds (Closed) will have minimal impact on the health care system as a whole and is appropriate for ERCN review as provided for in N.J.A.C. 8:33-5.1(b)2. HMH Carrier Clinic routinely accepts adolescents from throughout the state and occasionally from out of state who require inpatient care. Thus, having additional beds available would ease the burden that New Jersey hospitals routinely have in finding comprehensive inpatient psychiatric care for adolescents. These pediatric patients often remain in a hospital emergency

department for days while awaiting an appropriate replacement. In 2023, according to the B-2 Inpatient Utilization data, Carrier Clinic had the highest child/adolescent Behavioral Health admissions in the State. Additionally, Carrier will provide care to a new younger age group (ages seven to eleven), in a separate unit. Most other hospitals which care for this younger population integrate this age group with the older adolescents.

Carrier is currently licensed for 124 Adult Acute Psychiatric beds (Closed), 129 Adult Acute Psychiatric beds (Open), 30 Pediatric Acute Psychiatric beds (Closed), 6 Pediatric Acute Psychiatric beds (Open), and 8 Medical Detox beds. This project involves the reduction of 16 Adult Acute Psychiatric beds (Open) and the addition of 16 Pediatric Acute Psychiatric beds (Closed), thus reducing the total number of Adult Acute Psychiatric beds (Open) to 113 and increasing the number of Pediatric Acute Psychiatric beds (Closed) to 46. The applicant stated that this reallocation of beds is necessary as they are also seeking as part of this ERCN application to expand and construct a new Children's Pavilion within their campus to better meet the needs of their pediatric patients. The Children's Pavilion will include 52 Pediatric Acute Psychiatric beds by creating a combined unit of 46 Closed beds and 6 Open beds. This project is expected to be completed in three phases as follows:

1. The facility will construct an addition to the existing building to provide a 52 Pediatric Acute Psychiatric bed unit of Open and Closed beds in double occupancy rooms. The existing 30 Pediatric Acute Psychiatric beds (Closed) and 6 Pediatric Acute Psychiatric beds (Open) will be relocated to the new addition. The new 16 Pediatric Acute Psychiatric beds (Closed) will be added to the license as part of this work.
2. The facility will be relocating existing general adult beds into the 19 semi-private rooms vacated by the pediatric unit in Phase I. The scope of work includes the renovation of the existing support areas for the patient care unit, enlarged medical safety zone, added seclusion suite, conversion of offices to a staff lounge, and opening of the patient lounge to the corridor.
3. The facility will be renovated for the consolidation of administrative areas into the space vacated by the general adult beds in Phase II. The scope of work includes the conversion and renovation of the existing patient rooms to administrative areas with cosmetic upgrades and the addition of power and data.

The Department has taken into consideration the applicable regulations for the services subject to expedited review (i.e., N.J.A.C. 8:33-5.3). As it pertains to the provisions of N.J.A.C. 8:33-5.3(a)(1), the Department finds the following:

Carrier has provided an appropriate project description, including information about the total project cost of \$29,022,000 for the renovations of the new Pediatric Unit.

The operating cost and revenues were provided, which reflects by the first year of operation, the total revenue would be \$7,032,963, and \$7,813,833 for expenses, which project a loss of \$780,870 within the first twelve months. However, by year 3 the facility projects to increase revenue to \$7,975,404 and decrease expenses to \$7,717,719 which projects a profit of \$257,685. The source of funds has been identified as state appropriations and debt financing from Carrier. Specifically, the New Jersey Legislature provided Carrier with \$5 million out of the State's general fund in the State Fiscal Year 2022 budget and an additional \$5 million in the State Fiscal Year 2023 budget. The \$5 million appropriated in the State Fiscal Year 2023 budget came from the American Rescue Plan Act funding. The \$10 million appropriated through the State budget must be spent by 2026. In addition, Carrier received a private grant of \$10 million to support this project which must also be utilized by the end of 2026.

Justification for the proposed project, as per N.J.A.C. 8:33-5.3(a)(1), is founded on the hospital's desire to better meet the needs of pediatric patients for psychiatric services, mental health services, and co-occurring disorders. Specifically, Carrier asserts that the rate of self-harm cases resulting in hospital admissions, anxiety admissions, depression-related hospitalizations, and eating disorder-related hospitalizations have all increased in the last six years. The applicant stated that due to periods of unavailability of beds for several differing reasons, Carrier had to deny pediatric patient admissions which has led to patients having to stay for 24 hours or up to 5 days in various hospital emergency departments until they are placed, which are not optimal as they are unequipped to handle the level of behavioral health needs for the patients. Carrier routinely experiences occupancy of its licensed pediatric beds at an average of 68 percent of the time for the past six years. In 2023, the occupancy rate was 65 percent and is currently at an average of 63 percent for the first quarter of 2024. Carrier asserts that high demand for pediatric beds remains in the post-COVID-19 pandemic era, however, due to pediatric patients being unable to tolerate a roommate, the need to match genders in double occupancy rooms, and the high acuity needs of patients have caused shortages in room availability, as they must place a single occupant in a double occupancy room. With this project, Carrier will expand from 36 double occupancy rooms to 52 double occupancy rooms for a total of 16 additional rooms, which will allow the hospital more flexibility in placing a single occupant in a double occupancy room when required. Carrier projects that the facility will see an increase in bed demand by 2026. **Utilization statistics project the existing unit's occupancy would be at 73% annually and projects the new unit would be 57% occupied on an annual basis.** The construction of Carrier Clinic's new Children's Pavilion will increase access to treatment for New Jersey youth and integrate medicine and therapeutic services. The intent is to provide an academic teaching center and medical staff suite to expand Carrier's capacity to teach physicians and other mental health professionals, as well as provide a space for research and treatment for genomic medicine and other forms of innovative interventions.

N.J.A.C. 8:33-5.3(a)(2), requires an assurance that all residents of the area, particularly the medically underserved, will have access to services. Carrier meets the standards of N.J.A.C. 8:33-5.3(a)(2), as approximately 53 percent of Carrier's pediatric patients are Medicaid, self-pay, or charity care patients. In addition, Carrier has provided documentation that it will meet appropriate licensing and construction standards per N.J.A.C. 8:33-5.3(a)(3)(i). Carrier has also 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 were no significant regulatory compliance events reported in the New Jersey facilities that are owned, operated, or managed by the Applicant.

This approval is limited to the proposal 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 the 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 to us. We have not undertaken an independent investigation of such information. If material facts have not been disclosed or have been misrepresented, the Department may take 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 only and does not imply acceptance by a reimbursing entity. This document 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 changes in beds or services may not commence until a license application and amended license have been approved by the Certificate of Need and Healthcare Facility Licensure Program. A survey by Department staff may also be required prior to approving the changes and commencing services.

The Department looks forward to working with the applicant to provide high quality of care to your 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)
Kara Morris, DOH (Electronic mail)
Luisa Alexopoulos, DOH (Electronic mail)
Kim Hansen, DOH (Electronic mail)
Antonella Ventura, DOH (Electronic mail)
Daniel Addy, DOH (Electronic mail)
Ramon Santiago, DOH (Electronic mail)
Intake Unit, DOH (Electronic mail)
Donna Getcliffe, HMH (Electronic mail)