



State of New Jersey
DEPARTMENT OF HEALTH

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January 29, 2025

VIA ELECTRONIC & FIRST-CLASS MAIL

David Kostinas
David Kostinas & Associates
2145 Aberdeen Lane, #201
Naples, Florida 34109

Re: Kessler Hudson County Rehabilitation, LLC
135 Greene Street
Jersey City, New Jersey 07311
Extension of Time and Change in Cost/Scope
CN ER# 20160507;02
Total Project Cost: \$69,300,000
Expiration Date: January 29, 2030

Dear Mr. Kostinas:

Please be advised that the Department of Health (Department) is approving the Expedited Review Certificate of Need application submitted by Kessler Hudson County Rehabilitation, LLC (Kessler) to establish a new Comprehensive Rehabilitation Hospital in Hudson County. Pursuant to N.J.A.C. 8:33-5.1(a)(2) and (6), Kessler Hudson County Rehabilitation, LLC, a for-profit entity, has proposed a new Comprehensive Rehabilitation Hospital, Kessler Hudson County Rehabilitation Hospital, with 76 Comprehensive Rehabilitation Beds.

The Department has considered the applicable regulations for the services subject to expedited review (i.e., N.J.A.C. 8:33-5.3). The Department finds that Kessler Hudson County Rehabilitation, LLC has provided an appropriate project description. The project description includes information that there is a total project cost of \$69,300,000, which includes hard construction costs, soft costs such as architectural, design, and engineering costs, furniture, fixtures, equipment costs, and IT infrastructure and Electronic Medical Record System costs. Kessler Hudson County Rehabilitation, LLC stated that this new Comprehensive Rehabilitation Hospital will be located in space to be leased within "Harborside 6" at 135 Greene Street, Jersey City, New Jersey. The hospital would occupy the 9th and 10th floors of the building, comprising approximately

123,000 square feet of space. Kessler Hudson County Rehabilitation, LLC reported that the total operating costs for the facility would be \$31,676,085 and the revenue would be \$27,924,616, resulting in a net loss of \$3,751,469 in the first year. Estimates of operating costs for year two were \$38,113,551 and revenues for the second year \$49,025,362, ensuring the facility would realize a profit of \$10,911,811 by the end of the second year. The source of funds was listed and supported as available funds. Based on Kessler Hudson County Rehabilitation, LLC's projected utilization statistics, the new Comprehensive Rehabilitation Hospital would attain 48.6% occupancy in the first year and 78.9% by the end of the second year. Kessler Hudson County Rehabilitation, LLC will provide the necessary equipment required by licensure to provide the highest quality of care. Specialized equipment may include ceiling-mounted patient lifts, physical rehabilitation/exercise equipment, portable x-ray machines, and bedside dialysis connections. Robotics will be utilized to support treatment for patients who are suffering from stroke, spinal cord, or brain injuries.

The justification for the proposed project (N.J.A.C. 8:33-5.3(a)(1)) as reported by the Applicant is per the Department's October 5, 2018, letter for CN ER#160507-09-28, Kessler Hudson County Rehabilitation, LLC was approved for the establishment of a comprehensive rehabilitation hospital at CarePoint Health-Bayonne Medical Center. The 2018 Certificate of Need (CN) anticipated a joint venture between Kessler Hudson's owner, Kessler Institute for Rehabilitation, Inc., and CarePoint Health. The application was approved at the same time as a companion application, CN ER#160508-09-28, which involved approval to transfer ownership of the thirty (30) comprehensive adult rehabilitation beds from MHA, LLC d/b/a Meadowlands Hospital Medical Center to Kessler. This transfer of ownership was completed on January 16, 2020, thus completing CN ER#160508-09-28. In March of 2019, shortly after CN ER#160507-09-28 was approved, CarePoint terminated its participation in the project. CarePoint's termination of the joint venture left the Applicant without a location for the new comprehensive hospital unit and the Applicant was unable to identify a suitable alternative site to establish the hospital at the time. The emergence of COVID-19 further hampered the Applicant's efforts to relocate the rehabilitation beds and complete the project contemplated under CN ER#160507-09-28.

The Applicant has identified that, with more than 700,000 residents, Hudson County is New Jersey's 4th most populous county. There are currently no inpatient comprehensive rehabilitation beds operating in Hudson County, forcing residents to travel to neighboring counties or out-of-state to New York to obtain inpatient rehabilitation services. The proposed project, which is located in Jersey City, will provide optimal access to rehabilitation services. Jersey City is the most centrally located municipality in Hudson County, and the most densely populated, with approximately 40% of all residents of Hudson County. As a key component of the site selection, Kessler also identified a significant opportunity to effectively regionalize adult rehabilitation services in the broader Hudson County planning region without any net addition of rehabilitation beds in the market. As described in the application, the proposed project is a substitution or redistribution of comprehensive rehabilitation beds already inventoried in the Hudson County Planning Region (i.e., transferring existing beds from other Kessler facilities in the region), thus eliminating any requirements for a statistical bed need. No additional adult rehabilitation beds beyond those currently

allocated for the Hudson County Planning Region are necessary for the completion of this project. With the optimization of Kessler's Hudson County Planning Region bed inventory, the proposed project will provide additional capacity in Hudson County and, at the same time, remain consistent with the Department's objective of redistributing existing comprehensive rehabilitation beds, as opposed to increasing the number of comprehensive rehabilitation beds in the planning region. To balance efficiencies and geographical access to adult rehabilitation services, Kessler and Kessler Hudson propose a redistribution of their current capacity as follows:

Facility	County	Existing Beds	Change	Post-Project Total
Kessler Hudson	Hudson	30	46	76
Kessler Saddle Brook	Bergen	112	-28	84
Kessler West Orange	Essex	152	-18	134
Total		294	0	294

The establishment of this Comprehensive Rehabilitation Hospital will have a positive impact on the existing service area since there is no current access to adult rehabilitation beds in Hudson County. The proposed facility will result in significant improvement in access to services for Hudson County acute care hospitals, patients, and families. The relocation of currently licensed beds from Kessler facilities in Bergen and Essex County will balance the inventory of adult rehabilitation beds throughout the Hudson County Planning Region and allow Kessler's existing facilities to convert semi-private patient rooms to fully private rooms, thereby improving the patient experience and enhancing the efficient delivery of care. After completion of the project, Kessler Saddle Brook will maintain a capacity of 84 adult rehabilitation beds and Kessler West Orange will maintain 134 beds. Historical utilization at both facilities is consistent with the proposed optimized capacity. Therefore, the Kessler Saddle Brook and Kessler West Orange facilities will be able to meet the continued needs of patients at both locations. There will be no negative impact on access or quality of care.

The Applicant has assured 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 confirmed that this Comprehensive Rehabilitation Hospital would be operated in compliance with the regulatory requirement for admission of Medicaid patients.

Documentation that the Applicant will meet appropriate licensing and construction standards (N.J.A.C. 8:33-5.3(a)(3)(i)) is expected to be submitted upon receipt of Expedited Review Certificate of Need application approval. The review of the architectural plans for the new building will be underway; the Department will send a final letter with the results of this review. In addition, Kessler Hudson County Rehabilitation, LLC has demonstrated a track record of substantial compliance with the Department's licensing standards (N.J.A.C. 8:33-5.3(a)(3)(ii)) for their existing facilities. The Applicant has addressed any regulatory compliance events reported for this acute care facility. The licensed operator reported that they own, manage, or operate one-hundred and thirty-three (133) licensed healthcare facilities out-of-state, none of which have non-compliance issues. Kessler Hudson County Rehabilitation, LLC has

confirmed that they have reviewed, and will comply with, all the requirements outlined in N.J.A.C. 8:43H Standards for Licensure of Rehabilitation Hospitals, including those incorporated for reference, as well as all other applicable State and Federal requirements.

Please be advised that 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 in N.J.A.C. 8:33-3.9. However, in accordance with N.J.A.C. 8:33-3.9(a) 1-3, a change of cost of an approved certificate of need is exempt from certificate of need review but 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 license 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 the 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, 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 the 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 any municipality's 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 a high quality of care to patients needing comprehensive rehabilitation services. If you have any questions concerning this Certificate of Need approval, please do not hesitate to contact Michael J. Kennedy, Executive Director, Division of Certificate of Need and Licensing at Michael.Kennedy@doh.nj.gov.

Sincerely,



Jeff Brown
Deputy Commissioner
Health Systems
New Jersey Department of Health

c: Robert Bein, Kessler Hudson County Rehabilitation, LLC
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