

***New Jersey  
State Commission of Investigation***



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Immediate Release**

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**SCI FINDS LAW PROTECTING ASSETS  
FROM NONPROFIT HOSPITAL SALES  
NEEDS REFORM**

TRENTON – The State Commission of Investigation (SCI) found gaps and ambiguities in a state law intended to protect charitable assets and proceeds from the sale of nonprofit hospitals to for-profit operators in New Jersey, leaving it vulnerable to abuse and manipulation.

The SCI's investigation into charitable entities created or funded under the Community Health Care Assets Protection Act (CHAPA) also found state government has no meaningful role in providing ongoing active oversight of hospital assets or ensuring

the funds go toward appropriate charitable healthcare purposes of the community historically served by the facility as required by law.

“The failure to clarify vague or unaddressed portions of the law puts assets legally earmarked for community healthcare at risk of being misused or wasted and could unnecessarily complicate future nonprofit hospital sales,” the report states.

As part of its inquiry, the SCI investigated allegations of mismanagement and improper business practices at the Salem Health and Wellness Foundation – the first trust created under CHAPA. While the SCI’s investigation did not uncover violations of any law, it found the Foundation had engaged in certain questionable practices – including the transfer of more than \$52.5 million in assets – that appeared to be inconsistent with CHAPA’s statutory purpose. The SCI also examined the CHAPA-related obligations of the Health Care Foundation of the Oranges, which recently lost its federal tax-exempt status after failing to file tax forms for three consecutive years.

To improve the CHAPA law, the SCI recommended clarifying whether charitable trusts created under it are temporary or permanent, determining trusts’ financial responsibility to a successor nonprofit hospital and strengthening state government oversight of the trusts. Additionally, the SCI presented reforms to bolster certain management practices at the Salem Health and Wellness Foundation.

SCI Chair Tiffany Williams Brewer noted fortifying CHAPA is crucial because approximately 93 percent of the hospitals in New Jersey operate as nonprofits, and if sold to a for-profit operator, would require CHAPA review. If any charitable assets or

sales proceeds remained, it would prompt the creation of a charitable trust or the transfer of funds to an existing charitable entity.

“The SCI urges the Legislature to review the findings and recommendations presented in the report and to take action to clarify and strengthen CHAPA,” said Williams Brewer.

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*The State Commission of Investigation is an independent New Jersey watchdog agency established in 1968 to investigate organized crime and corruption, waste of tax money and other abuses of the public trust. Copies of public reports are available at the Commission's offices or via its Web site at [www.state.nj.us/sci](http://www.state.nj.us/sci).*