

## HOSPITAL'S BANKRUPTCY STOKES TALKS ON MERGER IN HUDSON COUNTY

BETH FITZGERALD | FEBRUARY 8, 2012

Sharing services back on table after private deal for ailing Christ Hospital fails.



The collapse of a deal to buy an ailing Jersey City hospital could renew merger talks in Hudson County, where a state-authorized report recommended that three hospitals consolidate services to save money.

Christ Hospital filed for Chapter 11 bankruptcy protection this week, after a private company, Prime Healthcare, withdrew its **offer to purchase** the money-losing hospital. The failed bid could lead Christ and two other hospitals -- Bayonne Medical Center and Jersey City Medical Center -- to combine services as recommended in the market study.

Both Bayonne and Jersey City Medical Center made preliminary offers for Christ Hospital while Prime Healthcare's offer was under review by state officials. Prime, a for-profit healthcare company based in California, withdrew its offer before that review was completed, citing community opposition.

Bayonne declined to comment Tuesday on whether it remains interested in Christ, which will continue operating while it reorganizes under Chapter 11 bankruptcy protection. Jersey City's offer was made in a partnership with the hospital redevelopment firm Community Healthcare Associates of Bloomfield. CHA partner Jeffrey Moll reiterated his interest in acquiring Christ.

A market study conducted by **Navigant**, a consulting firm hired by the New Jersey Health Care Facilities Finance Authority, recommended last July that three Hudson County hospitals, Jersey City Medical Center, Hoboken University Medical Center and Christ Hospital, which all rely on state funding, explore clinical collaborations and possibly outright mergers. The report concluded "there is significant excess inpatient capacity in virtually every service offered -- pediatrics, obstetrics, psychiatry, medical/surgical -- and unnecessary duplication of services." Since the Navigant report came out, Hoboken was acquired by the owners of Bayonne Medical Center, and Christ is now operating in bankruptcy.

All three hospitals are safety-net urban hospitals that receive millions of dollars annually in charity care and supplemental state aid, the report said. "Maintaining the status quo is not a practical or appropriate scenario and should be avoided if at all possible."

Navigant called on the hospitals to "collaborate on the development of a long-term facility consolidation and redevelopment plan designed to optimize the efficient use of capital over the longer-term and that provides area residents with appropriate access to high quality, affordable health care services."

Community Healthcare Associates (CHA) made a tentative proposal to buy Christ Hospital for \$104

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million at the same time the Jersey City hospital was in talks with the California company.

The principals of CHA are former hospital executives who acquired the bankrupt Barnert Hospital in Paterson in 2008. The hospital has since been renovated and leased to several healthcare tenants, including a skilled nursing facility and ambulatory surgery centers, radiology and physicians offices providing more than 600 jobs, Moll said. Last year, CHA bought the bankrupt Kessler Memorial Hospital in Hammonton and is renovating and leasing that facility.

CHA's offer for Christ Hospital would have leased a major portion of Christ to Jersey City Medical Center, which would maintain Christ as an acute care hospital. Additional space would be leased to other healthcare provider tenants, Moll said.

CHA put its preliminary proposal together without any input from Christ Hospital, which was negotiating exclusively with Prime Healthcare. CHA will have to conduct due diligence before making a firm offer, "but we are strongly interested," Moll said.

On Tuesday afternoon, a rally in support of Christ Hospital was held by community and employee groups, including New Jersey Citizen Action and Health Professionals and Allied Employees (HPAE), the union that represents the hospital's 420 nurses. Christ has 1,300 employees.

Jeanne Oterson, a union spokeswoman, said she needs to hear detailed proposals from the JCMC/CHA group, and from the Bayonne group, before making a judgment on the viability of their takeover plans. "I think the nurses would agree that a buyer who could come in with proper financing, and keep up the standards of the hospital, maintain the hospital as acute care and commit to protect the jobs of the employees -- that is the buyer people want."

New Jersey Citizen Action spearheaded a campaign to save Christ Hospital. "We went door to door in Jersey City and we collected over 5,000 signatures of people who don't want this hospital to shut down," said Phyllis Salowe-Kaye, the group's executive director.

Joseph Scott, chief executive of Jersey City Medical Center, said he made a joint bid last year with CHA to acquire Hoboken University Medical Center with an eye to regionalizing services along the lines of the Navigant report, but instead the city of Hoboken decided to sell the hospital to the owners of Bayonne Medical Center.

Regional consolidation of clinical services would benefit the hospitals and the patients, Scott said "I think we have to make some sense of what is going on in healthcare in Hudson County. I think you can do that by looking at some efficiencies that can be gained."

Jersey City Medical Center and Christ are about a mile and a half apart in Jersey City. "Why not make some sense of the two campuses, combine our administrative capabilities, and reduce our overhead expenses associated with billing and collections?" Scott said. "I think we can do that and improve the quality of care in Hudson County."