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LHP and Hackensack University Medical Center Announce CEO of Hackensack University Medical Center at Pascack Valley

Richard Freeman Named to Reopen Former Pascack Valley Hospital

Plano, TX and Hackensack, NJ – June 2, 2011- LHP Hospital Group, Inc. (LHP) and Hackensack University Medical Center (HUMC) today announced that Richard S. Freeman has been named CEO of Hackensack University Medical Center at Pascack Valley (HUMC-PV). HUMC and LHP formed a joint venture in 2009 to reopen the former Pascack Valley Hospital in Westwood, NJ, which was closed in April 2008. This announcement follows yesterday's filing of the Certificate of Need application on behalf of LHP and HUMC, doing business as Pascack Valley Health System, LLC.

"I am thrilled to have Rich Freeman come aboard as we work to restore the much needed hospital services to Pascack Valley and Northern Valley," said Robert C. Garrett, president and chief executive officer of Hackensack University Medical Center. "His proven leadership experience will help us to bring high quality care to Westwood, while maintaining the close-knit community once familiar at Pascack Valley Hospital."

Freeman recently served as the COO of Beth Israel Medical Center in New York City, where he was responsible for the ongoing operations of the two campus, 1,200-bed major academic community hospital. Prior to his tenure at Beth Israel, Freeman held a number of positions with Tenet Healthcare as the CEO of Medical College of Pennsylvania, Vice President of the Tenet Louisiana Operations, and CEO of Delray Community Hospital. Freeman began his healthcare career with National Medical Enterprises (now Tenet) and held regional positions in California in addition to several CEO and COO positions in Florida and Louisiana.

"Rich Freeman is an outstanding, experienced hospital administrator, and we are fortunate to have him join the LHP team in this critical leadership role. Rich has had a very successful career of working with physicians and employees to deliver high quality patient care to the communities we serve," said Dan Moen, LHP CEO.

"I am honored to join the teams at LHP and Hackensack University Medical Center. LHP is recognized nationally as a leader in collaborating with physicians and employees. LHP's strategy of forming joint ventures with not-for-profit hospitals is unique and well-respected throughout the healthcare industry," said Freeman. "Hackensack University Medical Center is one of the most outstanding systems in our nation based on any quality measure. They have been recognized regularly for care quality, outcomes, and clinical research-both locally and nationally, and we are fortunate to benefit from their clinical expertise and standards. The people of Westwood and the surrounding communities deserve to have their local hospital reopened. It is a privilege for me to be on the team that will respond to the overwhelming support this project has enjoyed," Freeman went on to say.

Freeman holds an MBA from Temple University, where he was awarded the Kellogg Grant for Hospital Administration, and completed his BS degree at LaSalle College in Philadelphia. He and his wife, Lisa, have three children: Michael, 30; Lauren, 28 and Nick, 19.

About Hackensack University Medical Center

Hackensack University Medical Center (HUMC) is a 775-bed not-for-profit, tertiary care, teaching and research hospital and provides the largest number of admissions in New Jersey. Founded in 1888 with 12 beds and as Bergen County's first hospital, HUMC has demonstrated more than a century of growth and progress. HUMC is a nationally recognized healthcare organization offering patients the most comprehensive services, state-of-the-art technologies, and facilities. Honors include being named one of America's 50 Best Hospitals by HealthGrades® for five years in a row. HUMC is the only hospital in New Jersey, New York, and New England to receive this honor for five consecutive years. HUMC was also named one of the 50 Best Hospitals in America by Becker's Hospital Review and has been named one of Becker's ASC Review/Becker's Hospital Review's "100 Best Places to Work in Healthcare." U.S. News & World Report ranked HUMC eighth in the New York Metro Area in its first-ever Best Hospitals metro area rankings, giving it the top ranking out of all the New Jersey hospitals listed. Additionally, HUMC is a Magnet® recognized hospital for nursing

excellence, first in New Jersey, second in the nation, receiving its fourth designation in April 2009. HUMC is the hometown hospital of the New York Giants and the New Jersey Nets. For more information, please go to www.humed.com.

About LHP Hospital Group, Inc.

LHP Hospital Group, Inc. (LHP) is a privately held company established to provide essential capital and expertise to not-for-profit hospitals and hospital systems. In cooperation with local hospitals, LHP forms joint ventures to acquire, own, operate and manage acute care facilities in small cities and select urban markets throughout the United States. Headquartered in Plano, Texas, LHP is owned by affiliates of the private equity firm CCMP Capital Advisors, LLC and the CPP Investment Board as well as members of management and the board of directors. For more information, please go to www.lhphospitalgroup.com.

CONTACT:

Tom Kurse, VP

Hackensack University Medical Center
201-996-3763

Pat Ball, SVP

LHP Hospital Group
972-567-8703



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Mountainside Hospital Set for a New Phase of Community Health Excellence with LHP Hospital Group, Inc. and Hackensack University Medical Center Joint Venture



MONTCLAIR, N.J., Feb. 1, 2012 /PRNewswire-USNewswire/ -- Montclair Health System, LLC, a joint venture between LHP Hospital Group, Inc. (LHP) and HackensackUMC, today filed a Certificate of Need application with the NJ Department of Health and Senior Services Office of Certificate of Need and Healthcare Facility Licensure for a transfer of ownership of Mountainside Hospital in Montclair, New Jersey, from its present owner, Merit Mountainside, LLC, a subsidiary of Merit Health Systems, LLC.

"We're gratified to have found a new steward for Mountainside who shares our hospital-wide commitment to delivering exceptional health care within a culture of collaboration with the physicians and employees and community," said Mountainside President and CEO John Fromhold. "LHP's demonstrated track record of commitment and investment ensures Mountainside can continue building on the successes we have achieved with our great physician teams, employees and local community. Looking forward, we are confident that LHP, as manager and operator of Mountainside, together with its local partner HackensackUMC, will ensure this hospital is well-positioned for future growth."

LHP CEO Dan Moen commented, "Mountainside is one of the premier hospitals in New Jersey with an outstanding record of providing quality patient care and safety. The hospital has served Montclair, Glen Ridge and surrounding communities for over 120 years. LHP is honored to enter into a joint venture to work with the medical staff, community board members and employees of this organization. We are very excited about the future and what Mountainside can bring to our organization and what we can share with Mountainside as we build on the momentum and success that the hospital already enjoys."

"Our team of leading physicians has had a tremendous impact on Mountainside and we are proud of the significant accomplishments we've achieved together in only a short period," said Dr. Konstantin Walmsley, Medical Staff President, Mountainside Hospital. "From new innovative capabilities like robotic surgery to new programs like hyperbaric oxygen therapy, we've strengthened Mountainside's medical and community reputation. LHP is an ideal manager and operator, and HackensackUMC a national leader in quality and innovation. With their strong histories of collaborating with physicians and commitment to investment, they will help Mountainside continue to bring the latest medical programs, technology, and care to our local community."

"It's our honor to be asked to collaborate with the physicians, board members, staff and the community to ensure quality healthcare and service excellence continues in the Mountainside region," said Robert C. Garrett, President and Chief Executive Officer of HackensackUMC. "Hackensack University Health Network looks forward to our partnership with LHP to help continue to strengthen healthcare in New Jersey."

"The selection of this LHP -- HackensackUMC joint venture for Mountainside ensures the continued success of this hospital and its close relationship with the Montclair and surrounding communities," said Franklyn Jenifer, Mountainside Hospital Board Chairman. "We look forward to working with LHP and HackensackUMC to build on Mountainside's legacy of excellent care for our community."

Mountainside Hospital is presently owned by Merit Mountainside, LLC, a subsidiary of Merit Health Systems, LLC, a leading private hospital management company.

About LHP Hospital Group, Inc.

LHP Hospital Group, Inc. (LHP) is a privately held company established to provide essential capital and expertise to not-for-profit hospitals and hospital systems. In cooperation with local hospitals, LHP forms joint ventures to acquire, own, operate and manage acute care facilities in small cities and select urban markets throughout the United States. Headquartered in Plano, Texas, LHP is owned by affiliates of the private equity firm CCMP Capital Advisors, LLC and the CPP Investment Board as well as certain members of management and the board of directors. For more information, please go to www.lphospitalgroup.com.

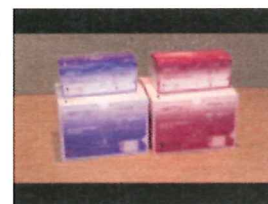
About Mountainside Hospital

At Mountainside Hospital, world-class physicians treat a wide range of medical conditions using state-of-the-art technology. Patients have immediate access to innovative and effective treatment alternatives at specialized centers within the hospital that focus on imaging, women's health, cancer care, surgery, obesity, stroke and chronic kidney disease. The 365-bed community hospital delivers personalized care while also serving as a learning center via its nursing school and residency programs in family medicine, internal medicine and dentistry. Mountainside Hospital is designated as a Primary Stroke Center by the NJ State Department of Health and Senior Services and is one of only a few community hospitals licensed by the State to perform emergency angioplasty. To learn more about Mountainside visit www.mountainsidehosp.com.

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technologies, and facilities. Honors include being named one of America's 50 Best Hospitals by HealthGrades® for five years in a row. Hackensack University Medical Center is the only hospital in New Jersey, New York, and New England to receive this honor for five consecutive years. Hackensack University Medical Center was also named one of the 50 Best Hospitals in America by Becker's Hospital Review. U.S. News & World Report ranked Hackensack University Medical Center eighth in the New York Metro Area in its first-ever Best Hospitals metro area rankings, giving it the top ranking out of all the New Jersey hospitals listed. Additionally, Hackensack University Medical Center has been ranked in geriatrics, heart and heart surgery, and cancer in U.S. News & World Report's 2011-12 Best Hospitals. The U.S. News Media Group also named the Joseph M. Sanzari Children's Hospital to its "2011-12 Best Children's Hospitals" list -- ranking as one of the top 50 in the specialty of neurology and neurosurgery -- the first hospital in the State of New Jersey ever to be ranked in a Best Children's Hospitals specialty. Hackensack University Medical Center is a Magnet® recognized hospital for nursing excellence, first in New Jersey, second in the nation, receiving its fourth designation in April 2009. Hackensack University Medical Center is the hometown hospital of the New York Giants and the New Jersey Nets. Learn how one of the nation's top 50 hospitals can help you at www.HackensackUMC.org.

About Merit Health Systems

Merit Health Systems is a private hospital management company which acquires, owns and operates urban community hospitals. Based in Louisville, Kentucky, Merit was founded specifically to address the significant and growing needs of community hospitals in larger urban markets.

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Press Releases

Merit Health Systems Announces Key Strategic Transactions

Completes Sale of San Antonio-based Nix Health

Announces Transaction to Sell Mountainside Hospital in New Jersey

PR Newswire

LOUISVILLE, Ky., Feb. 1, 2012

LOUISVILLE, Ky., Feb. 1, 2012 /PRNewswire/ -- Merit Health Systems, LLC ("Merit"), a private hospital management company focused on urban community hospitals, today announced two major steps forward in the successful monetization of its current hospital investments. First, Merit has completed the previously announced sale of its San Antonio-based Nix Health Care System ("Nix") to Prospect Medical Holdings, Inc. ("Prospect"). Second, Merit announced a transaction to sell its Mountainside Hospital ("Mountainside") in Montclair, New Jersey to a joint venture between LHP Hospital Group, Inc. ("LHP") and HackensackUMC. The New Jersey transaction is subject to regulatory approval and other customary closing conditions.

Merit has successfully driven growth and recognition for health care excellence at both Nix and Mountainside, through significant capital investments and operational improvements made at each facility during Merit's ownership.

"We are proud of what we've accomplished at Nix and Mountainside, and are gratified to have found new stewards for each of these leading institutions who can carry forward our programs of investing in physicians, employees, facilities, equipment and their respective communities," said Merit's Chairman and CEO, Tyree Wilburn. "Our ability to lead Nix and Mountainside in becoming premier health care centers that provide exceptional care and personalized service to

patients will have a lasting effect on their communities, and provide a platform for future growth."

About Nix Health

Nix has served South Texas since 1930, offering San Antonio and surrounding communities a vast array of medical services ranging from primary care and surgical services to behavioral and rehabilitation services. Accessible and comprehensive services are available at various locations throughout the city and include Nix Medical Center, Nix Alamo Heights, Nix Specialty Health Center, Nix Primary Care Center and Nix North Orthopaedic Center.

About Mountainside Hospital

At Mountainside Hospital, leading physicians treat a wide range of medical conditions using state-of-the-art technology. Patients have immediate access to innovative and effective treatment alternatives at specialized centers within the hospital that focus on imaging, women's health, cancer care, surgery, obesity, stroke and chronic kidney disease. The 365-bed community hospital delivers personalized care while also serving as a learning center via its nursing school and residency programs in family medicine, internal medicine and dentistry. Mountainside Hospital is designated as a Primary Stroke Center by the NJ State Department of Health and Senior Services and is one of only a few community hospitals licensed by the State to perform emergency angioplasty. To learn more about Mountainside visit www.mountainsidehosp.com.

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SOURCE Merit Health Systems, LLC

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Everything Jersey

Moody's predicts more N.J. hospitals will merge, seek buyers

Published: Friday, February 03, 2012, 7:00 AM

Updated: Saturday, February 04, 2012, 8:35 AM

**Star-Ledger Staff**

By

A day after five north Jersey hospital executives separately announced plans to consolidate, consider a merger or seek a buyer, Moody's Investor's Services predicted more New Jersey hospitals will merge or be bought in the upcoming months.

Several hospitals — including ones in Newark and Somerville — confirmed they are carefully pursuing new partners.

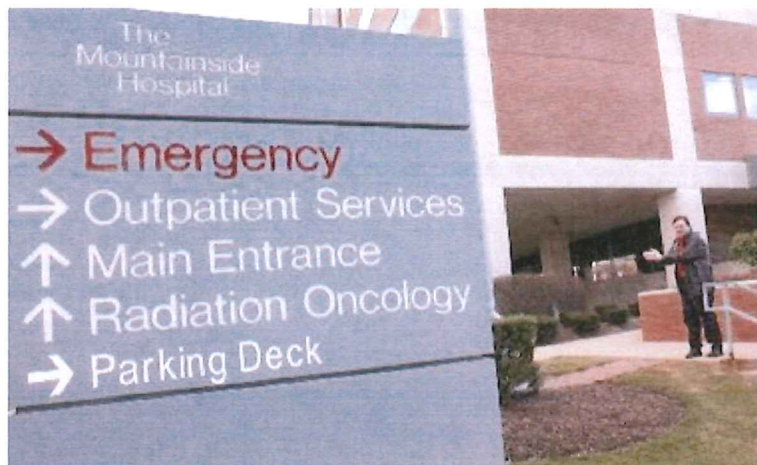
The Moody's report, released Thursday, said New Jersey hospitals are struggling more than other markets because of their proximity to New York and Philadelphia competitors, and the coming demands of the federal health care law that they treat more people while spending less.

Moody's analyst Sarah Vennekotter said the main reason so many New Jersey hospitals are trying to merge is because the federal health care reforms will change reimbursements to a "bundled" payment system in which doctors, hospitals and other medical professionals would share the payment for patient care.

While the report didn't identify which companies were in the hunt, most of the players have made their interest public.

They include Saint Michael's Medical Center in Newark, the only Catholic hospital left standing after it was bought by national chain, Catholic Health East, which closed two others.

"Over the next few months ... we will consider partnership and joint venture options within the region and with national health care organizations," the hospital said in a statement Thursday.



Jennifer Brown/The Star-Ledger

Hackensack University Medical Center and LHP Hospital Group announced it would pay \$190 million to buy Mountainside Hospital in Glen Ridge, pictured in this 2006 Star-Ledger file photo.

Somerset Medical Center in Somerville and Robert Wood Johnson University Hospital in New Brunswick said in a joint statement in the fall they were weighing a merger to "increase collaboration and expand programs" for better health in Central Jersey." They declined to elaborate Thursday.

Since the fall, Saint Clare's Health System's parent company has been looking to create a "regional healthcare delivery system," according to a hospital statement. Saint Clare's owner, Catholic Health Initiatives in Colorado has invested millions of dollars to renovate Saint Clare's Denville campus.

A spokeswoman for Holy Name Hospital in Teaneck Thursday said it passed on a proposal to join Ascension Health Care Network of St. Louis, which announced an interest Wednesday in acquiring Saint Joseph's Regional Medical Center in Paterson and Saint Mary's Medical Center in Passaic.

Also Wednesday, Hackensack University Medical Center and LHP Hospital Group announced it would pay \$190 million to buy Mountainside Hospital in Glen Ridge; Prime Healthcare of California withdrew its bid to buy Christ Hospital in Jersey City, and St. Luke's Hospital and Health Network announced it would buy Warren Hospital in Phillipsburg.

By Seth Augenstein and Susan K. Livio/The Star-Ledger

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Do for-profits hospitals help or hurt health care?

BY LINDY WASHBURN AND MARY JO LAYTON

Friday, February 3, 2012 Last updated: Saturday February 4, 2012, 10:06 AM

The cascade of news this week about hospital sales has plunged New Jersey into one of the hottest controversies in healthcare today: the role of for-profit companies in patient care.

For-profit companies are moving in, scooping up dialysis centers, buying nursing homes and now taking aim at some of New Jersey's oldest and most cherished non-profit local hospitals. While the cash investors provide may rescue some failing hospitals, allow others to upgrade or buy much-needed technology and introduce boutique care to the state's tonier regions, suspicions abound that the drive for profits may collide with good patient care.

"As more for-profit corporations take over community hospitals, their emphasis will not be on providing needed services in ways that improve outcomes and lower total costs to



our residents," said Renee Steinhagen, a public interest lawyer. "Rather, they will be interested in providing whatever services will make the most money for these hospitals and their investors. Is this really what we want from our hospitals?"

It's been a decade since the first sale of a New Jersey non-profit hospital to a for-profit company, in Salem County. But on a single day in North Jersey this week, one hospital was bought by a joint venture, three others confirmed negotiations with another for-profit, and talks involving the takeover of a fifth hospital broke down.

As Moody's Investors Service noted in a report it rushed out Thursday, this week's announcements marked a sudden acceleration of a trend, which is happening nationwide.

Mergers or sales are an "avenue for financially weak hospitals seeking to avoid closure, bankruptcy, or payment default," said Sarah A. Vennekotter, a Moody's analyst. The report, "New Jersey Hospitals: Merger &

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Acquisition Activity Heats Up as Financial Challenges Rise," noted that the "wave of recent health care consolidation activity ... is likely to continue."

Flood of deals

Hackensack University Medical Center this week reached into **Essex County** in a joint venture to buy Mountainside Hospital with LHP Hospital Group, a Texas-based investment and management firm.

The same partners are waiting for state approval to reopen Pascack Valley Hospital in **Westwood**. They say they will spend \$40 million in their plan to offer 128 single rooms, elegant furnishings, gourmet menus and designer hospital gowns,

Meanwhile, all three of **Passaic County's** hospitals are in serious talks with the Catholic for-profit Ascension Health Care Network, a subsidiary of a non-profit 73-hospital national chain.

Bergen County is even looking for a buyer for Bergen Regional Medical Center. The 1,000-bed behemoth in **Paramus** may need more than \$13 million in upgrades this year.



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In addition, three of six **Hudson County** hospitals are now owned by for-profit investors: Hoboken University Medical Center, acquired in December; Meadowlands Medical Center in **Secaucus** and Bayonne Medical Center. A deal to sell Christ Hospital in Jersey City to a California for-profit chain broke down on Wednesday.

In fact, of all the talks of hospital mergers and sales this week, only one — a possible deal in which Barnabas Health, New Jersey's largest private hospital system would take over Newark's University Hospital — did not involve a for-profit company.

While the mergers and takeovers in New Jersey mirror national trends, they also are the culmination of forces set in motion in New Jersey in 1993, when the state ended years of government rate setting. That opened the door for managed-care companies to strike their own bargains with hospitals. Some hospitals flourished, others floundered — and some have become attractive to for-profits.

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Threat or benefactor?

Some observers are concerned the for-profits will reduce or strip away valuable community services, while raising costs.

"The delivery of medical care is merely a vehicle for making profits" at investor-owned companies, said Steinhagen, who closely monitors the sale of non-profit hospitals to for-profit companies as executive director of New Jersey Appleseed.

The emphasis on hitting financial targets can create opportunities for fraud, said Bradford H. Gray, a senior fellow at the Urban Institute.

"In every field you look at — nursing homes, dialysis care, psychiatric hospitals, regular hospitals — if you look at the history of the major companies, almost all of them have had major scandals," he said. "It's not necessarily that they're worse people," he added, but the use of incentives as a major part of local managers' compensation can be hazardous.

Still, the infusion of capital that private companies can provide for multimillion-dollar technology upgrades, allow aging



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plants to get desperately needed face-lifts and even pay for expensive radiation oncology equipment.

When a small Kentucky-based for-profit chain took over Mountainside Hospital, there was "a turnaround not only in Mountainside's financials, but in its quality," said Pat Ball, vice president at LHP Hospital Group. Last year, Mountainside was one of the most profitable hospitals in the state.

In some instances, the arrival of an equity partner is the only way to guarantee the opening of a new hospital. That's the case in the Pascack Valley, where residents desperately wanted a hospital in their area.

For hospitals that are struggling, the money can be a lifeline.

Mark V. Pauly, a health economist at the Wharton School at the University of Pennsylvania, understands the lure of for-profit companies that offer infusions of capital.

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"You might not like them, but you might have to take down the cross and put up the dollar sign if you want a hospital in the community — this may be your only choice," Pauly said.

Experts say there's little clear-cut evidence that the quality of care is different in a for-profit hospital. All hospitals are required by federal law to treat patients in their emergency rooms, regardless of ability to pay. With the advent of report cards that evaluate hospitals on several standards of care, it's even harder to let quality slip, especially with the public watching, Pauly said.

Alwyn Cassil of the Center for Studying Health System Change said that whether a hospital is a for-profit or a non-profit "probably has very little impact on what happens to patient."

In fact, from a business point of view, she said, "they have to have happy patients and satisfied patients, or they don't come back."

Impact on services

The potential for making money is evident at Mountainside Hospital.



When it was sold to a for-profit for \$30 million by the non-profit Atlantic Health System in 2007, it was known more for the heavy penalty it paid for failing to clean endoscopy equipment than for high-quality care.

The LHP joint venture is paying \$190 million for the hospital — more than six times what it went for five year ago.

That has left a former state health commissioner, who approved the conversion in 2007, howling in protest.

"Making a \$160 million profit is outrageous," said Fred Jacobs. "If I had ever dreamed they would make this kind of money, I never in a million years would have signed off on that. We have medically underserved communities suffering, and Merit walks away with \$160 million owing nothing to the community."

Jacobs said Health Commissioner Mary O'Dowd shouldn't approve the request for a certificate of need to transfer ownership without putting limitations on potential

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profits.

For-profits typically maximize profitable services like cardiology and radiation oncology to enhance earnings, Jacobs, said. Meanwhile, less-profitable services are "deemphasized."

"It may sound like good business but it's lousy public health policy," Jacobs said. Now, a consultant at Barnabas Health, Jacobs said he was not speaking on behalf of the hospital system.

In California, the for-profit Prime Healthcare Services — whose negotiations with Christ Hospital in Jersey City collapsed this week — was sued by two major insurers who alleged it "corrupts the healthcare system by trapping patients in its hospitals and providing unnecessary services and then falsifying and inflating its bills in order to maximize profits."

Three California congressmen have asked Medicare to investigate suspected billing fraud by the company, allegations the company denies.

Prime pulled out of talks with Christ Hospital, saying it respected the community's desire for a non-profit owner. Opponents of the deal noted that it fell apart shortly after state



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Deputy Attorney General Jay Ganzman raised questions about the underlying financial transactions, a review that's required in New Jersey when a for-profit buys a not-for-profit hospital.

It should be noted, however, that non-profit hospitals, including several in New Jersey, have paid millions to settle charges of Medicare overbilling. And two New Jersey state senators have been convicted in recent years in separate trials involving the use of their offices to benefit non-profit medical institutions.

Higher charges

There are also ample cases of not-for-profit hospitals accused of excessive executive compensation and allowing board members to make money from the institutions they are appointed to serve.

In fact, with a closer eye on the bottom line,

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for-profits are likely to pay executives less and better manage their staffing costs, experts said.

Another fear when for-profits arrive in a market is that they can kill managed-care contracts. By billing as out-of-network providers, the new owners receive much higher reimbursements — a practice that can drive up overall insurance rates, experts say.

When the bankrupt Bayonne Hospital was purchased by a for-profit company in 2008, insurers alleged in lawsuits that the hospital imposed dramatic fee increases. Charges for colonoscopies and endoscopies went up more than 80 percent, while CT scans increased as much as 267 percent, Ward Sanders, president of the New Jersey Association of Health Plans, testified to state officials last year. Daily fees for inpatient stays doubled to more than \$26,000 a day. In fact, some inpatient care was billed at \$159,969 for a single inpatient day, Sanders said.

Sanders was so concerned about the charges that he urged the state not to sign off on the sale of non-profit Hoboken University Medical Center to a for-profit company, HUMC Holdco, whose owners operate Bayonne. Nevertheless, the sale proceeded last year.



When he talks about problems with for-profits, Pauly, the Wharton economist, points to the debacle in Pennsylvania when Tenet Health Corp. bought six non-profit hospitals and lost "tons of money," resulting in the closing of all but one of the medical centers.

The company was also accused of overbilling Medicare. In 2006, it agreed to pay \$725 million in cash and give up \$175 million of Medicare payments to resolve claims it defrauded the federal government.

"Just because a hospital changes ownership, or ownership form, it doesn't mean it's going to succeed," said Gray, of the Urban Institute, who did a 10-year retrospective study on hospitals that had changed from non-profit to for-profit.

'This is a model'

Not all for-profits are the same.

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Ascension Health Care Network, which is negotiating to purchase St. Joseph's Regional Health System and St. Mary's Hospital in [Passaic County](#), is the first Catholic equity-based system in the country, Anthony Tersigni, then-president and chief executive of Ascension Health told Modern Healthcare when the venture formed last year.

"We believe this is a model that will not only preserve Catholic identity, but ... the rights of the local bishop," he said. The company is a joint venture between St. Louis-based Ascension Health, the nation's largest non-profit Catholic health care chain, and the equity firm Oak Hill Capital Partners of Menlo Park, Calif.

The three [Passaic](#) hospitals would be the first acquisition for the subsidiary, which has pledged to uphold Catholic values and the church's mission in its holdings.

Company executives had identified 300 "economically vulnerable" Catholic hospitals across the country, they said when the venture was announced a year ago. Its aim is to provide capital infusions to struggling Catholic health systems.

"They see an opportunity on the mission side and the business side," said Bill Woodson, a consultant for Ascension.



While the network is negotiating with several Catholic hospitals nationally, the [Passaic County](#) talks are furthest along.

That could mean survival for St. Mary's, which is in the city of [Passaic](#) and recently emerged from bankruptcy. St. Joseph's, which includes the regional hospital in [Paterson](#) and another medical center in [Wayne](#), is more profitable but incurred millions in debt with a \$250 million expansion to handle the hospital's rapid growth.

LHP Hospital Group, which will own majority shares in two North Jersey hospitals if the state health department approves, says the single biggest difference between its ownership and not-for-profit ownership is that it pays real-estate and payroll taxes.

The previous firm its executives ran, Triad, "never paid a dividend," said Ball, its spokeswoman.

"Every bit of revenue we made went into facility upgrades," she said. Other companies

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may focus on improving their profit margin, "but our company has a strategy of growth," she said. "We want to gain market share and work with physicians to improve care."

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A large advertisement for All American Ford. It features a cartoon superhero character in a blue suit with the number 1 on his chest. The text reads 'PRE-SEASON SAVINGS ITS GO TIME!' and '\$500 OFF MSRP'. Below this, it says 'TOWARDS THE PURCHASE OF ANY NEW FORD • LINCOLN • MERCURY • SUBARU VEHICLE'. The All American Ford logo is on the left, and the website 'www.ALLAMERICANFORD.NET' is on the right. At the bottom, it says 'MUST BE PRESENT AT TIME OF PURCHASE'. Logos for Ford, Lincoln, Mercury, and Subaru are also present.

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Questions & Answers

Overview

What is being announced?

The Waterbury Hospital has announced that they signed a letter of intent to merge with the previously announced joint venture (JV) formed between LHP Hospital Group, Inc. (LHP) and Saint Mary's Health System, Inc. (Saint Mary's).

Why does Waterbury Hospital want to join the joint venture between LHP and Saint Mary's Hospital?

A combined joint venture with LHP/Saint Mary's and The Waterbury Hospital will bring together the two local hospitals and transform health care delivery in the Greater Waterbury community. This proposed transaction includes a commitment by the combined joint venture to construct a new medical center at a cost of \$400 million that will replace both Waterbury Hospital and Saint Mary's Hospital. The combined revenue of both hospitals will be over \$520 million, making it one of the larger hospitals in the State of Connecticut.



What is the value of the transaction?

The financial details of the transaction are confidential and therefore not being disclosed.

Why does LHP/Saint Mary's want to joint venture with The Waterbury Hospital?

LHP and Saint Mary's see this combined joint venture as a transformational event and believe that Waterbury Hospital's participation significantly enhances the benefit to the community. The combined joint venture also enables the construction of a new state-of-the-art medical center.

LHP is extremely selective when it comes to investing in hospitals. Its strategy is to invest in hospitals that not only fit well within its existing care delivery model, but also can grow with the company for years to come. LHP/Saint Mary's is excited about the potential it sees in the new combined joint venture with The Waterbury hospital. This will transform the delivery of health care for the Waterbury community and the region. LHP has a successful track record of working with community hospitals.

What Changes Because of the Combined Joint Venture

Does anything change at The Waterbury Hospital today as a result of this announcement?

Nothing changes today. Waterbury Hospital will continue to work with LHP/Saint Mary's to finalize the transaction and begin the regulatory process. In the meantime, The Waterbury Hospital's physicians and caregivers will continue to provide the great care they do today, and the organization continues to grow.

Will there be any service closures as a result of the combined joint venture?

The combined joint venture will continue to provide all of the hospital services currently being offered. The goal of the combined joint venture is to expand and enhance the quality and range of services that are being provided in the Greater Waterbury community. We will work closely together with all physicians to develop short and long-term plans that are based on community need. Any changes to clinical services or programs currently provided by The Waterbury Hospital will require the approval of the combined joint venture Board of Directors, which will have representation from LHP, Saint Mary's Hospital and The Waterbury Hospital.

Will there be any reduction in staff at Waterbury Hospital?

For the immediate future, both hospitals will continue to operate as they do today. We are committed to maintain the same level of care, quality and safety that our community deserves and expects. While there may be some consolidation of services in the near term, we believe in the long term that the new facility will add jobs to the Greater Waterbury community and have a significant positive effect on the local economy.

What about the unions at The Waterbury hospital?

We will recognize and respect the rights of employees and treat all employees fairly. LHP management has a successful history of working with unions.

What happens with the Ethical and Religious Directives currently present at Saint Mary's - once this combined joint venture is approved with Waterbury Hospital?

Saint Mary's will maintain its heritage as a Catholic hospital and will continue to abide by the Ethical and Religious Directives. The new facility, when completed, will respect the tradition of faith-based care consistent with Catholic teaching at Saint Mary's Hospital and abide by the Ethical and Religious Directives for Catholic Health Services.

How will The Waterbury Hospital and Saint Mary's maintain their local identity when it is affiliated with an out-of-town company?