



CATHOLIC HEALTH EAST

For Immediate Release

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Catholic Health East to Acquire Saint Michael's Medical Center

Acquisition Will Preserve Access to Health Care for Newark's Most Vulnerable Residents

Newark, NJ - January 11, 2008 – Catholic Health East (CHE), one of the nation's largest health care systems, today announced plans to acquire the assets of Cathedral Healthcare System, Newark, New Jersey, which includes Saint Michael's Medical Center.

The planned acquisition of Saint Michael's Medical Center is accompanied by the proposed closure of acute-care services at two smaller Newark-based facilities also affiliated with Cathedral Healthcare System. This is part of a larger plan to preserve Catholic health care in Newark and to maintain access to essential emergency, primary, and acute care services for the poor and underserved of the greater Newark area. It is also consistent with the State of New Jersey's efforts to reduce the number of underutilized acute-care hospitals to eliminate excess bed capacity and contain costs.

"We are pleased to have the opportunity to extend our healing ministry into the greater Newark area, and we look forward to welcoming the physicians, employees and volunteers of Saint Michael's Medical Center into the CHE family," said Bob Stanek, president and CEO of Catholic Health East. "We intend to work together to strengthen and enhance Saint Michael's Medical Center's programs and services, and to expand our non-acute care, community-based offerings in the city to best meet the needs of those who are poor and underserved."

Saint Michael's Medical Center, Inc. — the newly established affiliate of CHE — has committed to work with Newark officials in addressing health-care needs of city residents following the phase-out of acute care at Saint James Hospital. Plans call for primary care — including prenatal care and urgi-care — to continue uninterrupted through the establishment of a walk-in family-care center with extended hours. Other services, such as a PACE program and an LTACH, will be deployed in the service area after government approvals are obtained.

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The closure of Columbus Hospital had originally been planned to coincide with the March 15 completion of the remissioning of Saint James Hospital. However, Cathedral has committed to delay closure for at least 30 days beyond that date, but not later than June 1, 2008, to allow CHE to work with city officials, Newark Councilman Anibal Ramos, and Dr. Bart DeGregorio in a collaborative effort to ensure the smooth transition of health-care delivery in Newark's North Ward community and to determine what services may remain at the site.

In addition, representatives from CHE, the Newark Mayor's Office, and the Newark Department of Health will work with Councilman Augusto Amador and Councilman Ramos as members of a health-care needs assessment task force. They will be soliciting public input to help identify what additional health services are needed in neighborhoods city-wide.

For the past two years, the Newark-based and Archdiocese of Newark-sponsored Cathedral Healthcare System, comprised of Saint Michael's Medical Center, Saint James Hospital and Columbus Hospital, had been exploring partnership or sponsorship options with larger, financially robust healthcare systems. Because of its poor and deteriorating financial position, Cathedral Healthcare System was faced with the prospect of having to close all three of its hospitals if it did not find a new owner. Cathedral Healthcare System approached Catholic Health East in early 2007; after several months of due diligence, CHE carefully reviewed Cathedral Healthcare System's situation and developed a plan to maintain critically important health care services in Newark.

Because of the significant overlap of the three hospitals' service areas, the huge current and projected financial losses, and the underutilization of the two smaller facilities, the only viable option for the future involved the closure of Saint James Hospital and Columbus Hospital and the strengthening of Saint Michael's Medical Center. CHE plans to invest over \$130 million in state-of-the-art technology and needed capital improvements at Saint Michael's Medical Center.

"The preservation of Catholic health care in Greater Newark remains our top priority," said Cathedral Chairman and CEO Rev. Msgr. Ronald J. Rozniak. "We are very pleased that Saint Michael's Medical Center and its rich tradition of top quality, compassionate care will continue under the sponsorship of Catholic Health East – a robust organization with a proven record of commitment to urban Catholic hospitals."

"This is a true 'win' for the residents of the city of Newark," said Stanek. "Without this impending transaction, all three hospitals would have closed, leaving a gaping hole in the availability of essential health care services in Newark. Our planned acquisition will result in a greatly strengthened Saint Michael's Medical Center, offering regionally renowned tertiary and primary care services to Newark's most vulnerable residents. Based on a community needs assessment, we will identify other non-acute health services that we can initiate and provide to meet community needs in the city that have been historically served by Saint James Hospital and Columbus Hospital."

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Catholic Health East has an excellent track record of operating high quality, financially sound hospitals in urban areas. In New Jersey, other CHE affiliates include St. Francis Medical Center in Trenton, and Lourdes Health System, with hospitals in Camden and Willingboro. According to Stanek, “the addition of Saint Michael’s Medical Center in Newark would extend CHE’s presence in New Jersey, which would strengthen our facilities and ultimately benefit our patients and communities through improved facilities, technology and services.”

Catholic Health East, a multi-institutional Catholic health system co-sponsored by 10 religious congregations and Hope Ministries, is based in Newtown Square, Pennsylvania. Catholic Health East provides the means to ensure the continuation of the Catholic identity and operational strength of the sponsors’ health ministries, which are located in 11 eastern states from Maine to Florida. The system includes 33 acute-care hospitals, four long-term acute-care hospitals, 36 freestanding and hospital-based long-term care facilities, 12 assisted-living facilities, five continuing-care retirement communities, seven behavioral-health and rehabilitation facilities, 25 home health/hospice agencies, and numerous ambulatory and community-based health services. More information is available online at www.che.org.

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