RWJBarnabas HEALTH

# Secondary Market Disclosure Information

March 31, 2021

# RWJ BARNABAS HEALTH, INC.

Consolidated Financial Statements and Supplementary Information as of March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2021 and 2020

**RWJ BARNABAS HEALTH, INC.**
Secondary Market Disclosure Information
March 31, 2021

Summary of Obligations under the
Master Trust Indenture and Other Credit Arrangements

## Bond Obligations under the Master Trust Indenture

- Barnabas Health System Taxable Revenue Bonds, Series 2012
- Barnabas Health Issue, Series 2012A
- Barnabas Health Issue, Series 2014A
- Robert Wood Johnson University Hospital Issue, Series 2013A
- Robert Wood Johnson University Hospital Issue, Series 2014A
- RWJ Barnabas Health Taxable Revenue Bonds, Series 2016
- RWJ Barnabas Health Obligated Group Issue, Series 2016A
- RWJ Barnabas Health Obligated Group Issue, Series 2017A
- RWJ Barnabas Health Senior Secured Notes, Series A through D
- RWJ Barnabas Health Obligated Group Issue, Series 2019
- RWJ Barnabas Health Obligated Group Issue, Series 2019A
- RWJ Barnabas Health Obligated Group Issue, Series 2019B-1 through B-3

## Other Credit Arrangements

- Secured revolving credit facility with JP Morgan Chase Bank that includes a sublimit for letters of credit including the self-insured worker's compensation program. Secured under the Master Trust Indenture.

- Revolving line of credit agreement with JPMorgan Chase Bank, N.A. in the maximum available amount of $50 million; no funds have been drawn down under such credit agreement. Secured under the Master Trust Indenture.

- Construction loans (combined with grants) from the New Jersey Economic Development Authority under its HUD-funded Energy Resilience Bank program for building combined heating and power systems at each of Saint Barnabas Medical Center, Newark Beth Israel Medical Center and Somerset Medical Center and related funding from PSE&G. The aggregate maximum availability of the loans is approximately $14 million; approximately $1.2 million has been drawn down under the loans.

**RWJ BARNABAS HEALTH, INC.**

Secondary Market Disclosure Information

March 31, 2021

System Overview

| Facility | Location | Licensed Beds |
|---|---|---|
| **Acute Care Hospitals:** | | |
| Newark Beth Israel Medical Center | Newark | 667 (1) |
| Community Medical Center | Toms River | 617 (2) |
| Saint Barnabas Medical Center | Livingston | 597 |
| Robert Wood Johnson University Hospital, New Brunswick Campus | New Brunswick | 614 (3) |
| Robert Wood Johnson University Hospital, Somerset Campus | Somerville | 333 |
| Monmouth Medical Center | Long Branch | 514 (4) |
| Monmouth Medical Center, Southern Campus | Lakewood | 241 (5) |
| Clara Maass Medical Center | Belleville | 492 (2) |
| Jersey City Medical Center | Jersey City | 348 |
| Robert Wood Johnson University Hospital Rahway | Rahway | 251 |
| Robert Wood Johnson University Hospital at Hamilton | Hamilton | 248 |
| **Total Acute Care Beds** | | **4,922** |
| **Transitional Care Beds:** | | |
| Children's Specialized Hospital | New Brunswick | 140 (6) |
| Community Medical Center Transitional Care Unit | Toms River | 25 (2) |
| The Clara Maass Transitional Care Unit | Belleville | 20 (2) |
| **Total Transitional Care Beds** | | **185** |
| **Specialty Hospitals:** | | |
| The Children's Hospital of NJ at Newark Beth Israel Medical Center | Newark | 156 (1) |
| Barnabas Health Behavioral Health Center | Toms River | 100 (5) |
| The Bristol-Myers Squibb Children's Hospital at Robert Wood Johnson University Hospital | New Brunswick | 79 (3) |
| The Unterberg Children’s Hospital at Monmouth Medical Center | Long Branch | 70 (4) |
| **Total Specialty Hospital Beds** | | **405** |

(1) Newark Beth Israel Medical Center is licensed for 667 beds, 156 of which are licensed for Children’s Hospital of New Jersey at Newark Beth Israel Medical Center. For presentation purposes, these 156 beds are included in the licensed bed complement for both Newark Beth Israel Medical Center and it's designated Children's Hospital.

(2) For presentation purposes, the 45 Transitional Care beds located at the general acute care hospitals are included in the licensed bed complements for both Clara Maass Medical Center and Community Medical Center.

(3) Robert Wood Johnson University Hospital is licensed for 614 beds, 79 of which are licensed for The Bristol-Myers Squibb Children's Hospital. For presentation purposes, these 79 beds are included in the licensed bed complement for both Robert Wood Johnson University Hospital and its designated Children’s Hospital. Robert Wood Johnson University Hospital has been granted temporary approval from the Department of Health to operate an additional 26 neonatal bassinets not included in the count.

(4) Monmouth Medical Center is licensed for 514 beds, 70 of which are licensed for The Unterberg Children’s Hospital at Monmouth Medical Center. For presentation purposes, these 70 beds are included in the licensed bed complement for both Monmouth Medical Center and its designated Children’s Hospital.

(5) Monmouth Medical Center, Southern Campus is licensed for 241 beds, 60 of which are psychiatric beds located at Barnabas Health Behavioral Health Center. For presentation purposes, these 60 beds are included in the licensed bed complements of both Monmouth Medical Center, Southern Campus and Barnabas Health Behavioral Health Center.

(6) These licensed beds represent pediatric long term care and rehabilitation beds. Children’s Specialized Hospital operates at multiple locations in New Jersey, including the long term care beds in Mountainside and Toms River, New Jersey.

## RWJ BARNABAS HEALTH, INC.

## Management's Discussion and Analysis

## For the three months ended March 31, 2021 and 2020

## (In thousands)

RWJ Barnabas Health, Inc. (the Corporation) is the largest, most comprehensive academic health care system in New Jersey, with a service area covering nine counties with five million people. The system includes eleven acute care hospitals; three acute care children's hospitals and a leading pediatric rehabilitation hospital with a network of outpatient centers, a freestanding 100-bed behavioral health center, two trauma centers, a satellite emergency department, ambulatory care centers, geriatric centers, the state's largest behavioral health network, comprehensive home care and hospice programs, fitness and wellness and physical therapy centers, retail pharmacy services, a medical group, multi-site imaging centers and two accountable care organizations. In meeting its mission of creating healthier communities, the Corporation seeks to provide high quality clinical care, address the clinical and social determinants of health, improve health outcomes and promote health equity.

The Corporation has formed a partnership with Rutgers University to create New Jersey's largest academic health care system. The collaboration has aligned the Corporation with Rutgers' education, research and clinical activities, including those at the Rutgers Cancer Institute of New Jersey (CINJ) - the state's only NCI-designated Comprehensive Cancer Center - and Rutgers University Behavioral Health Care.

***COVID-19***

On March 11, 2020, the World Health Organization declared COVID-19 as a global pandemic resulting in an extraordinary impact to patient activity. The Corporation has directed nearly every resource available to combat the COVID-19 pandemic and meet the unprecedented needs of its patients, communities, employees and health care workers across our service areas. Since the pandemic began, the Corporation has cared for over 223,000 patients that presented with COVID-19 symptoms, of which approximately 21,000 have been admitted to our hospitals.

Patient volumes and the related revenue for most of the Corporation's health care services were significantly impacted since the spring of 2020 as various policies were implemented by federal, state and local governments in response to the COVID-19 pandemic. These responses included nonessential medical services restrictions, travel bans, social distancing and shelter-in-place orders. These policies forced the Corporation to reduce hours and temporarily close certain operations, as well as dramatically reduce surgical procedures, outpatient diagnostic and treatment services, and physician patient visits. Due to lifestyle changes and concerns about safety, visits to the emergency department declined significantly. In addition, broad economic factors resulting from the COVID-19 pandemic, including increasing unemployment rates and reduced consumer spending, are affecting service mix, revenues and patient volumes. The Corporation's response to the COVID-19 pandemic continues to require additional staff and supply resources. Supply chain disruptions, including shortages, delays and significant price increases in medical supplies, pharmaceuticals and personal protective equipment, have impacted, and are expected to continue to impact, the Corporation's operations. The Corporation expects patient volumes and revenues to continue to be negatively impacted until the effects of the pandemic subside and the economy begins to stabilize.

On May 18, 2020, the Governor of New Jersey unveiled a multi-stage approach to execute the responsible and strategic economic restart to put New Jersey on the road back to recovery from COVID-19. In the first phase of the plan, elective surgeries and elective invasive procedures in hospital and ambulatory surgery centers were permitted to resume on May 26, 2020. Although it has continued the safe return of non-COVID-19 patient volumes, the Corporation continues to experience reduced patient volumes compared to historical activity levels.

New Jersey has treated over one billion cases with total deaths of over 25,000. The Corporation experienced a surge in COVID-19 activity late in the 4th quarter of 2020 where COVID-19 positive patient admissions reached 2,771 in December, a 276% increase in the monthly activity from October. However, January 2021's COVID-19 admissions decreased from December by 9% to 2,516 and further declined in February to 1,656 admissions, yet there was a 10% increase in March to 1,822, giving further support to a dynamic and changing environment. Newly identified variants are cause for concern over future impacts. Risks and uncertainties caused by the COVID-19 pandemic, including those described above, are having, and will continue to have an impact on the Corporation's business, financial condition, results of operations and cash flows. Currently, the Corporation cannot estimate the length or severity of the pandemic.

The Corporation has received significant funding under the CARES Act amounting to $658 million through March 31, 2021. During the three months ended March 31, 2021, $24 million was recognized as revenue bringing the total amount recognized to $595 million. The U.S. Department of Health and Human Services (HHS) continues to update and provide clarifying guidance via Frequently Asked Questions. Significant questions remain on the interpretation of the new guidance. The Corporation believes the amount of revenue recognized is appropriate under the current guidance from HHS and continues to monitor progression of clarifying guidance issued.

In addition to the CARES Act funding, the Corporation has received Medicare advance payments of approximately $556 million. Medicare started recouping these advances in April 2021 with final recoupments expected by August 2022. Through April 30, 2021, approximately $16,600 of the advance has been repaid.

The Corporation has also elected to defer the deposit and payment of the employer's share of Social Security taxes allowed under the CARES Act, which requires payment of 50% of the deferred taxes by December 31, 2021 and 50% by December 31, 2022. The Corporation has accumulated approximately $88 million of deferred employer payroll taxes.

Management continues to closely monitor the operational and financial impact of COVID-19 in many respects and is pursuing opportunities for additional federal funding (including funding from the Federal Emergency Management Agency) and other funding that is, or will become, available.

Despite the continuing challenges and factors pressuring operating margins impacted by the ongoing crisis, management is focused on the restoration of operating results to pre-COVID-19 levels through various initiatives, including those focused on access and additional revenue opportunities. This can be accomplished through new and enhanced facilities, building a more diversified business model, physician recruitment efforts, and continued revenue cycle initiatives. In addition, there is continued focus on expense reductions through operational efficiency efforts and supply chain initiatives. The Corporation continues to evaluate and invest in strategic capital projects and technology to facilitate recovery and maintain a competitive advantage regarding patient and provider satisfaction and retention. Management continues to monitor strategic capital needs in relation to operations and capital market conditions affecting investment returns, as well as fundraising and debt capacity. The Corporation is committed to invest in people, programs and facilities in order to successfully adapt and respond to changes in the health care industry while continuing to meet the needs of the patients and families in the communities it serves.

***Vaccinations***

Currently, the Pfizer-BioNTech, Moderna and Johnson & Johnson vaccines have been granted Emergency Use Authorization by the Food and Drug Administration. Recently, the Johnson & Johnson one-dose vaccine was temporarily paused due to safety concerns. Distributions of the vaccines, including Johnson & Johnson, have continued in New Jersey and around the country. Members of the Corporation's staff began to receive the vaccines in December 2020. The Corporation successfully offered the vaccine to all frontline workers and direct patient care staff and to all employees in January 2021. Following guidance from the New Jersey State Department of Health (NJDOH), the Corporation began offering the vaccine to community members aged 65 and older and those with specifically indicated conditions. As of April 19, 2021, eligibility was expanded to all individuals aged 16 and older. There are many locations throughout the state for vaccination, including state and county mega-sites, smaller vaccine centers including several of our Medical Group practice sites and retail pharmacies. Six mega-sites throughout New Jersey are open to serve as vaccination hubs, including one that is operated by the Corporation. The goal of the NJDOH is to vaccinate 70 percent of the adult population in the state, 4.7 million adults, by June 2021. To date, the state has surpassed three million vaccinations.

***Awards and Distinctions***

In January 2019, S&P Global raised its long-term rating to AA- from A+ and affirmed a stable outlook. The higher rating reflects the successful integration of Robert Wood Johnson Health Corp. and Barnabas Health, Inc. and the generation of favorable operating results and cash flow since the merger in 2016. In May 2019, Moody's affirmed the A1 rating and revised the outlook to positive from stable. The positive outlook reflects expectations that liquidity and margins will remain strong. In January 2021, S&P affirmed the Corporation's long-term rating of AA- with a stable outlook citing continued success and growth as a system, solid statewide market share and a strong balance sheet.

The Corporation and its affiliates are recognized as a leading academic health care delivery system, having received the following recognitions, among others:

- **Special Recognition for Heroism –** The Corporation's Patient Experience Team was awarded Special Recognition for Heroism. The honor, given by The Leapfrog Group, recognizes heroes that have demonstrated an extraordinary commitment to patient safety amidst the COVID-19 crisis.

- **GHX Organization** – The Corporation was named a 2020 GHX "Best 50" organization. Earning this recognition demonstrates the organization's commitment to a supply chain strategy that removes waste, drives efficiencies and, as a result, raises the quality of patient care delivered.

- **Leapfrog Safety Scores** – The Spring 2021 scores recognize six of the acute care facilities as receiving an "A" grade. Five acute care facilities received a "B" grade. SBMC is one of only 29 facilities in the nation to have achieved straight "A" ratings since the program's inception.

- **Leapfrog Top Hospitals** – SBMC—one of only 10 in the country—was recognized by The Leapfrog Group as a 2020 top teaching hospital.

- **LGBTQ Healthcare Equality** – In 2020, 8 hospitals received HEI designation as Leaders in LGBTQ Healthcare Equality by the Human Rights Campaign, the education arm of the nation's largest LGBTQ civil rights organization.

- **Chime Healthcare's Most Wired** – The Corporation continues to be named among the most wired for its use of information technology (IT) to better the patient experience. Hospitals and health systems at the forefront of using IT to improve the delivery of care have maximized the benefits of foundational technologies and are embracing new technologies that support population management and value-based care.

- **CEO Cancer Gold Standard employer** – The Corporation has been accredited as a CEO Cancer Gold Standard employer. This prestigious award recognizes the Corporation for its dedication and commitment to maintaining a high standard of excellence in cancer prevention, early detection and quality care for its employees and their families.

- **NCI-designated Comprehensive Cancer Center** – CINJ is the State's only NCI-designated Comprehensive Cancer Center. CINJ is universally recognized for its clinical and scientific research leadership. NCI-designated cancer centers are a group of 50 cancer research institutions in the United States supported by the National Cancer Institute.

- **Commission on Cancer Accredited Program** – The American College of Surgeons' Commission on Cancer has rated RWJUH New Brunswick and Newark Beth Israel among the nation's best comprehensive cancer centers.

- **National Quality Measures for Breast Centers (NQBMC)** – The Jacqueline M. Wilentz Breast Center was certified as a quality breast center of excellence, the highest certification level offered by the NQMBC. Additionally, the Center has been designated a Breast Imaging Center of Excellence by the American College of Radiology's Commission on Quality and Safety and the Commission on Breast Imaging.

- **Top Places to Work in Healthcare** – The Corporation has been named one of the top 150 places to work in healthcare by Becker's Hospital Review, including recognition for Women's Health Programs.

- **100 Great Hospitals in America** – In 2020, RWJUH New Brunswick was named to this list, developed by Becker's Healthcare, which recognizes facilities for excellence in clinical care, patient outcomes, and staff and physician satisfaction.

- **U.S. News & World Report** – The Bristol-Myers Squibb Children's Hospital (BMSCH) at RWJUH was named for the sixth time as one of the nation's best children's hospitals in 2019-2020 – recognized for Urology. Other national, regional and New Jersey recognition was received widely by the Corporation's hospitals in a great range of specialties in 2019-2020.

- **Gold Seal of Approval –** Various affiliates of the Corporation have received the Gold Seal of Approval by the Joint Commission for various programs including joint replacement, disease-specific certifications in acute coronary syndrome, cardiac rehabilitation, heart failure, advanced certification in palliative care, bariatric surgery and stroke program.

- **Magnet Designation by the American Nurses Credentialing Center** – Five affiliates of the Corporation have received Magnet designation, which recognizes organizations for creating and sustaining an environment of nursing excellence where collaborative working relationships are fostered among different departments and disciplines.

- **Protecting the Patient - Voice of the Customer Award –** Nuance Healthcare has recognized certain affiliates for a reduction of hospital acquired conditions by 73% and being Joint Commission Top Performers for national quality measures.

- **Newsweek Magazine -** Named NBIMC one of the World's Best Hospitals and named NBIMC, MMC and RWJBH New Brunswick Best Maternity Care Hospitals.

- **NICHE** – Several of our facilities have been recognized as a NICHE (Nurses Improving Care for Health system Elders) hospital.

- **American Heart Association** – Five of our facilities have received recognition for Heart Failure and/or Stroke services by the American Heart Association.

- **NCQA Recognition –** RWJ Barnabas Health Medical Group has solidified its commitment to provide the highest quality health care and access to our patients through the achievement of National Committee for Quality Assurance (NCQA) Patient-Centered Medical Home Recognition for several of our practices. The NCQA Patient-Centered Medical Home standards emphasize the use of systematic, patient-centered, coordinated care that supports access, communication and patient involvement.

***Partnership with Rutgers, the State University of New Jersey***

The partnership with Rutgers formed the largest and most comprehensive academic health system in New Jersey and has enhanced the recruitment of prominent academic, research and clinical practitioners; and strengthened the advancement of health science innovation and education, while continuing to enhance the delivery and accessibility of evidence-based health care across the state.

The Corporation has committed to invest more than one billion dollars over 20 years (commencing in 2018) to expand the education and research mission of the integrated academic health system. The Corporation will also fund the construction of a new clinical and research building for the Rutgers CINJ.

This partnership has become even more important since the COVID-19 outbreak. When asked how COVID-19 affected the Corporation's ongoing relationship with Rutgers, the president and chief executive officer of RWJ Barnabas Health, Barry H. Ostrowsky responded, **"**before the pandemic we were busily building this partnership in a conventional way. We've been building it, making sure we touch all the sweet spots legally. Now, along comes this pandemic and the relationship becomes more intimate overnight. The School of Public Health in Rutgers is front and center. It partnered with us to look at how we can ignite a public health program in our most significant urban area in Newark, New Jersey, to ensure that that vulnerable population is now being better evaluated for COVID-19. The pandemic has made the relationship with Rutgers all that much more meaningful, mutually, and much more effective for the communities we serve."

***Clinical Alignment with Robert Wood Johnson Medical School***

A key element of the transformative efforts of the Partnership was to form a comprehensive medical group comprising employed physicians and other health care professionals from the Corporation and Rutgers Health. The Corporation and Rutgers have achieved this significant milestone in its mission to build a premier academic health system dedicated to education, research and the delivery of high-quality health care to benefit patients, students and the residents of New Jersey. Through the execution of an Integrated Practice Agreement (IPA) effective July 1, 2020, Rutgers and the Corporation have taken a step toward integrating the clinical services provided within the university's Robert Wood Johnson Medical School in the New Brunswick region and the Corporation's medical group practices creating one of the largest integrated health systems in the country.

"The announcement is another step toward integrating Rutgers' expertise in health innovation and research with RWJ Barnabas Health's experience in the delivery of health care to bring the citizens of New Jersey world-class healthcare in their own backyard," said Dr. Brian Strom, chancellor of Rutgers Biomedical and

Health Sciences. "Our shared goal has always been to be a transformational leader in health care, and it is exciting to continue to see our vision come to fruition."

"The long-standing reputation of our two great organizations and the combined strengths of our outstanding clinical practitioners solidify our commitment to invest in the health and wellness of the people in our communities throughout the region," said Mr. Ostrowsky. "I could not be more proud of what we, together with Rutgers, have already achieved and am confident that the future will hold innovative approaches to maintaining good health."

"It's an exciting time to lead our combined medical group as this integration seeks to lead healthcare delivery and innovation in New Jersey and beyond," said Dr. Andy Anderson, president and chief executive officer of the combined medical group of RWJ Barnabas Health and Rutgers. "I look forward to collaborating with our exceptional teams."

Under the IPA, all current Rutgers employees in the clinical practices will remain Rutgers employees. The Corporation will assume responsibility for the patient experience and administration of the Rutgers Health Robert Wood Johnson Medical School clinical enterprise.

## ***Management's Discussion and Analysis of Recent Financial Performance***

Management's Discussion and Analysis of Recent Financial Performance is based upon the consolidated financial results of the Corporation since the members of the Corporation's Obligated Group represent 88.5% of the total consolidated operating revenue and 95.0% of the total consolidated assets as of and for the three months ended March 31, 2021. Accordingly, the discussion below includes the financial results of entities that are not members of the Obligated Group. Refer to the Audited Consolidated Financial Statements of the Corporation for the year ended December 31, 2020 for the consolidating schedules of the Corporation and the Obligated Group.

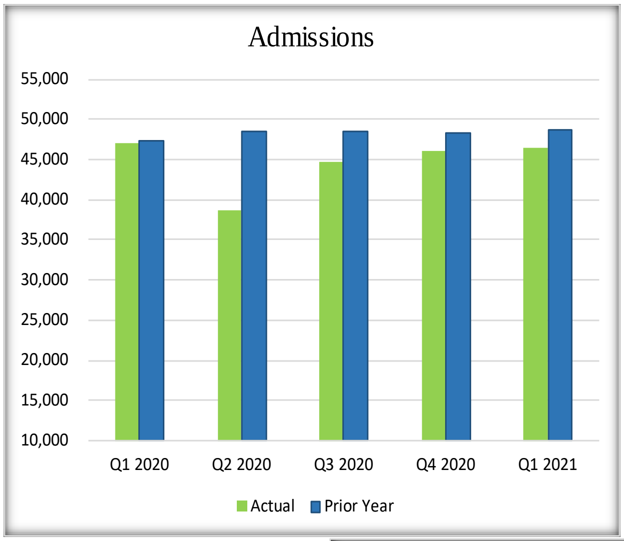
Effective November 29, 2020, the Corporation became the direct employer for its ER/Hospitalist group. This integration has allowed the Corporation to better support the physicians and clinical staff that have made the partnership a success.

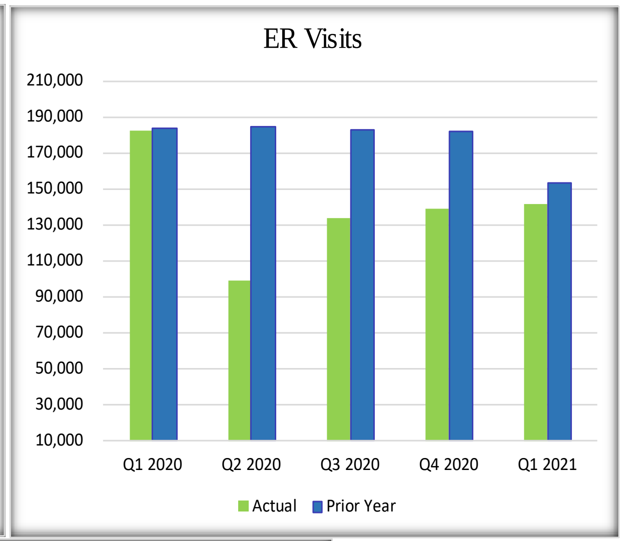
Effective July 1, 2020, the Corporation became the sole corporate member of University Physician Associates (UPA). Through the creation of the IPA with Rutgers, the Corporation (via UPA) will support and provide financial, administrative and revenue cycle management services to the New Jersey Medical School. The impact of this transaction was the assumption of equal assets and liabilities, with no incremental net assets.

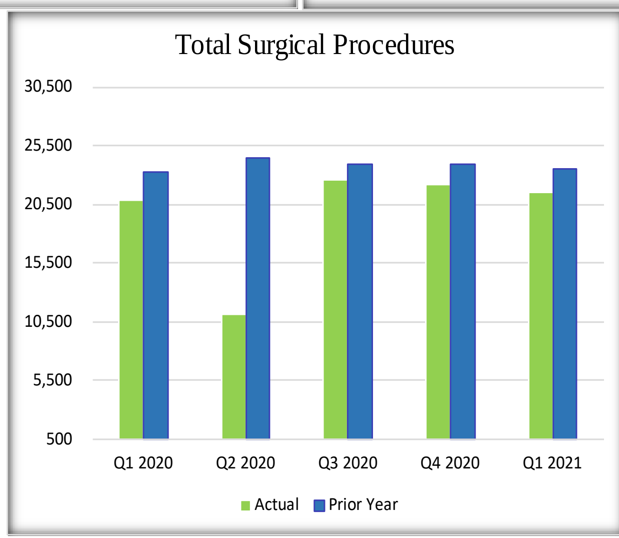
## ***Financial Performance Overview***

For the three months ended March 31, 2021, the Corporation's total operating income and operating margin were $1,694 and 0.1%, respectively, compared to the operating loss and operating margin loss of $52,460 and 3.8% for the three months ended March 31, 2020. Total operating revenues grew by $195,112 or 14.1% compared to the three months ended March 31, 2020, while operating expenses increased by $140,958 or 9.8% during the same period. Included in total operating revenues is funding under the CARES Act of $23,760 in 2021.

The following tables portray select acute care volumes as compared to 2020. Admissions and ER visits are gradually improving; however, surgical procedures remain relatively flat to slightly declining over the last six months.




Overall, patient service revenue of $1,466,665 was higher than prior year by $151,963 or 11.6%. Patient service revenue was significantly impacted by COVID-19 during 2020 and continues to impact volumes and revenues in 2021. During this period, the Corporation experienced an increase in inpatient and outpatient revenue of 14.2% and 8.2%, respectively despite volume being below expectations. The combined losses due to the volume shortfall have been offset by $23,760 of Stimulus funding recorded in CARES Act funding. For additional information, refer to the *Operating Revenue and Volume* discussion.

The increase in operating expenses was driven by increased salaries and benefits, physician fees and salaries, supplies, other expenses, depreciation and interest, many of which continue to be impacted by the pandemic. For additional information, refer to the *Operating Expenses* discussion.

The Corporation's excess of revenues over expenses and excess of revenues over expenses margin for the three months ended March 31, 2021 were $65,813 and 4.0%, respectively, compared to the deficiency of $337,924 and -30.9% for the three months ended March 31, 2020. The excess of revenues over expenses was significantly higher than prior year mainly due to investment performance. Net investment gains totaled $51,742, compared to the investment loss of $283,785 in 2020. For additional information, refer to the *Nonoperating Gains and Losses* discussion.

Management continues to focus on i) patient experience, safety and quality improvements, ii) market share growth, iii) population health management, iv) medical research and education, and v) diversifying revenue streams within the Corporation's business model. Maintaining the balance sheet and improving operating results also remain top management priorities so that the Corporation can continue to invest in people, programs and facilities to successfully adapt and respond to changes in the health care industry while continuing to meet the needs of patients and families in all the communities it serves.

## ***Operations and Excess of Revenue over Expenses***

The following table summarizes key operating performance results and overall performance ratios:

| | Three months ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| Operating income (loss) | 1,694 | (52,460) |
| Operating margin | 0.1% | -3.8% |
| EBITDA | 97,690 | 36,049 |
| EBITDA margin | 6.2% | 2.6% |
| Excess (deficiency) of revenue | 65,813 | (337,924) |
| Excess (deficiency) of revenue margin | 4.0% | -30.9% |

***Operating Revenue and Volume***

The following table presents consolidated operating revenue and select volume statistics for the three months ended March 31, 2021 and 2020:

| | Three months ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| **Operating Revenue:** | | |
| Inpatient patient service revenue | 810,075 | 729,590 |
| Outpatient patient service revenue | 506,077 | 495,822 |
| Professional billing revenue | 110,135 | 73,889 |
| State of NJ subsidy revenue | 40,378 | 15,401 |
| Total patient service revenue | 1,466,665 | 1,314,702 |
| CARES Act grant revenue | 23,760 | - |
| Other operating revenue | 85,137 | 65,748 |
| Total operating revenue | 1,575,562 | 1,380,450 |
| **Volume & utilization statistics:** | | |
| Acute care licensed beds | 4,922 | 4,930 |
| Average acute care beds in service | 3,884 | 3,896 |
| Acute care occupancy based on beds in service | 73.7% | 73.2% |
| Acute care length of stay | 5.85 | 5.65 |
| Acute care admissions | 46,400 | 47,041 |
| COVID-19 positive admissions | 6,111 | 1,952 |
| Adult and pediatric admissions | 31,215 | 31,090 |
| Newborn and NICU admissions | 6,385 | 6,648 |
| Maternity and obstetric cases | 5,959 | 6,067 |
| Patient days | 260,527 | 256,644 |
| Same day surgery cases | 14,388 | 13,456 |
| Emergency room visits (excl. admits) | 112,566 | 153,948 |
| Observations | 19,712 | 20,228 |
| Psychiatric hospital inpatient admissions | 202 | 282 |

Acute Care payor mix, based on patient days, for the three months ended March 31, 2021 and 2020 is presented below:

| | Patient Days | |
|---|---|---|
| **Payor Mix** | **2021** | **2020** |
| Medicare | 28.3% | 30.7% |
| Medicaid | 5.4% | 6.4% |
| Managed Medicare | 19.6% | 17.2% |
| Managed Medicaid | 17.9% | 17.7% |
| Managed Care | 10.9% | 10.9% |
| NJ Blue Cross & Commercial | 12.0% | 11.2% |
| Self-pay and Other | 5.9% | 5.9% |
| | 100.0% | 100.0% |

Inpatient service revenue of $810,075 was higher than prior year by $80,485. The Corporation experienced an increase in inpatient revenue of 14.2% despite volume being down by 1.4%. The lower volume across all service lines was partially offset by COVID-19 cases. Higher case rates from COVID-19 and managed care rate increases have contributed to the increase in revenue. The favorable variance also includes a Value-Based contract performance for $16,000. Although various inpatient services contributed to the decrease in volume, cardiac surgeries and tertiary care were negatively affected most by 15.2% and 12.9% respectively.

Outpatient service revenue of $506,077 was higher than prior year by $10,255 or 2.1%. The increase was primarily due to managed care contract changes, which specifically impacted Cardiac Cath, Observation Emergency Room and Oncology. Outpatient volume, excluding labs, increased by approximately 1.9% due primarily to hospital same day surgery cases which were 6.9% higher than prior year.

Professional billing revenue of $110,135 was higher than prior year by $36,246 or 49.1%. The increase was primarily due to the addition of practices acquired since the prior year. Physician group performance was significantly impacted by the global pandemic. In response to the pandemic, the medical groups began utilizing telemedicine options, which contributed to the increase in patient revenue per physician. Volumes have been improving since COVID-19 restrictions were lifted in late May 2020.

State of NJ subsidy revenue of $40,378 increased from prior year by $24,977. The increase was due to the receipt of $24,000 under the Quality Improvement Bridge Program, which was designed to support the stability of acute care hospitals once the Delivery System Reform Incentive Payment program ended in June 2020.

The Corporation recognized CARES Act grant revenue of $23,760 in 2021 to help offset the volume shortfalls attributable to COVID-19. Other operating revenue of $85,137 was favorable to prior year by $19,389 or 29.5%. Other revenue includes income from grants, pharmacy sales, equity in the income of joint ventures, contributions, net assets released from restriction, cafeteria, and parking. The increase was primarily due to higher revenue from surgical, physician practice, homecare, hospice and imaging joint ventures as well as 340B programs.

Certain joint ventures are reported using the equity method of accounting and are not fully consolidated in the Corporation's financial statements. Additional financial information for these joint ventures is included in the table below:

| For the three months ended March 31, | | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Net Operating Revenue | Net Income | Net Income Attributable to RWJBH | Net Operating Revenue | Net Income | Net Income Attributable to RWJBH |
| Surgical | $ 63,490 | 20,593 | 10,874 | 43,336 | 17,788 | 5,030 |
| Home Care & Hospice | 40,613 | 4,509 | 2,293 | 42,678 | 3,919 | 1,991 |
| Imaging | 28,009 | 4,685 | 2,384 | 25,229 | 3,817 | 1,210 |
| Physician Practices | 23,583 | 4,748 | 2,431 | - | - | - |
| Other | 24,636 | (472) | (421) | 16,439 | 1,334 | 244 |
| | $ 180,331 | 34,063 | 17,561 | $127,682 | 26,858 | 8,475 |

The increase in revenue from surgical ventures was attributable to the addition of four new surgical centers since March 2020. Additionally, these ventures received 3,700 in Stimulus funds for the three months ended March 31, 2021. The Corporation invested approximately $4,216 to continue to expand its ambulatory care division during 2021.

The increase in the home care and hospice was due to lower expenses as compared to prior year. Imaging ventures also exceeded prior year due an increase in volume of 2.3% as well as reduction in expenses by 4.0%.

New and established physician practices contributed $2,431 to net income. The Corporation invested approximately $2,570 to expand its physician practice partnerships in 2021. The Corporation invested $53,260 million to acquire Jag One Holdings on February 1, 2021. This venture, a comprehensive outpatient physical and occupational therapy company, contributed a loss of $589.

***Operating Expenses***

Total operating expenses for the three months ended March 31, 2021 of $1,573,868 increased by $140,958 or 9.8% from the three months ended March 31, 2020.

Summarized below are the consolidated operating expenses for the three months ended March 31, 2021 and 2020:

| | Three months ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Salaries and employee benefits | 731,899 | 662,462 |
| Physician fees and salaries | 172,744 | 143,851 |
| Supplies and other expenses | 573,229 | 538,088 |
| Interest | 25,327 | 25,290 |
| Depreciation and amortization | 70,669 | 63,219 |
| Total operating expenses | 1,573,868 | 1,432,910 |

For the three months ended March 31, 2021, salaries and employee benefits increased by $69,437 or 10.5%, compared to the three months ended March 31, 2020. The increase in salaries and employee benefits was primarily due to an increase in FTEs, annual salary increases and usage of Crisis RN agency staff to meet the demand of the pandemic.

Physician fees and salaries increased by $28,893 or 20.1%, compared to the three months ended March 31, 2020. The increase was driven by our ER/Hospitalist group, which was acquired in November 2020. The addition of new medical practices in the latter part of 2020 has also contributed to the increase.

Supplies and other expenses increased by $35,141 or 6.5%, compared to the three months ended March 31, 2020. The increase was primarily due to higher contractual and purchased services and supplies. Contractual and purchased services contributed approximately $15,000 to the increase largely driven by outside lab costs, which have risen due to higher demand for COVID-19 testing as well as expenses from new affiliates, UPA and ER/Hospitalists. Supplies increased by approximately $19,000. Inpatient and same day surgical volumes have increased by 3.0% from prior year. In mid-March 2020, the system stopped all elective surgeries and transplant programs allowing for only emergency surgeries. Services resumed at the end of May 2020. Overall, average length of stay has increased by 3.5% from 2020 and drug costs have risen due to increased usage related to the treatment of COVID-19 patients.

Interest expense for the three months ended March 31, 2021 marginally increased by $37 or 0.1%, compared to the three months ended March 31, 2020.

Depreciation and amortization for the three months ended March 31, 2021 increased by $7,450 or 11.8%, compared to the three months ended March 31, 2020. The increase was driven by investments in strategic capital projects, which were completed in the latter part of 2020, and other investments in capital projects in 2021.

***Nonoperating Gains and Losses***

The following table presents a summary of nonoperating revenue and expenses of the Corporation for the three months ended March 31, 2021 and 2020.

| | Three months ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| Investment income | 19,135 | 18,604 |
| Realized gains (losses) on investments | 118,502 | (2,075) |
| Unrealized losses on investments | (85,895) | (300,314) |
| Net periodic benefit cost | (571) | (1,679) |
| Interest rate swap valuation changes | 12,948 | - |
| Total nonoperating revenue (expense), net | 64,119 | (285,464) |

Net investment income and realized gains, net totaled $136,637 and $16,529 while net unrealized loss totaled $85,895 and $300,314 for the three months ended March 31, 2021 and 2020, respectively.

The Corporation entered into interest rate swap agreements related to the term and rate of certain bond issues. As of the three months ended March 30, 2021, the aggregate change in the net fair value of the interest rate swap agreements was $12,948. Swap agreements expose the Corporation to credit risk in the event of noncompliance by the counterparties. The fair value of the agreements was adjusted for that risk. The Corporation believes the risk of any material impact to the consolidated financial statements is low.

***Fundraising***

The Foundations support the programs and services of their affiliated tax-exempt organization and support the capital campaign and other fundraising activities of the Corporation.

The following table presents contributions received by the foundations as well as capital and operating support the foundations provided to the hospitals. Conditional gifts are not included until the conditions have been met.

| | Three months ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| Contributions without donor restrictions | 1,029 | 801 |
| Contributions with donor restrictions | 3,504 | 4,586 |
| Total contributions | 4,533 | 5,387 |
| | | |
| Support to affiliates | 2,455 | 6,943 |

Total contribution revenue is lower than prior year due a significant capital campaign contribution received in the first quarter of 2020. In 2021, RWJ New Brunswick received a conditional gift of $2,500 for the Pediatric Infusion Center at the BMS Children's Hospital. Of the $2,500, $833 has been received and recognized for the three months ended March 31, 2021.

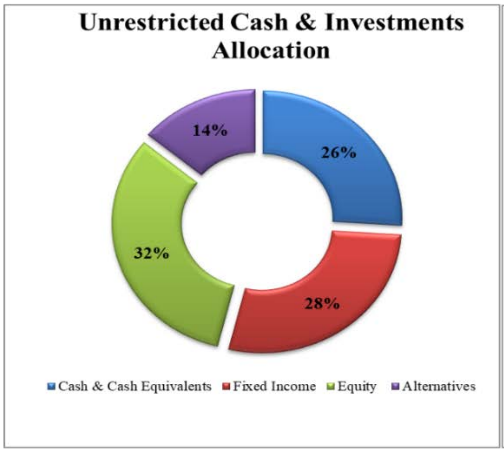
***Unrestricted Cash and Investments***

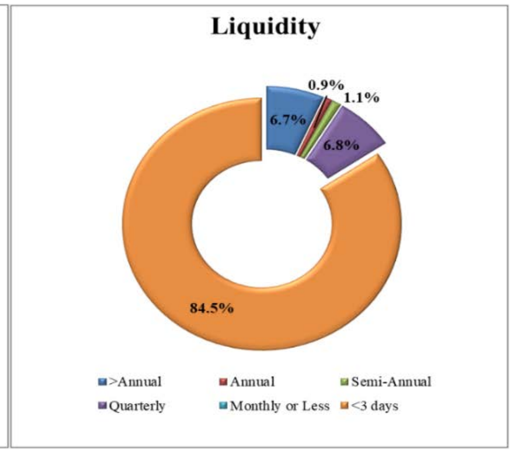
The Corporation's financial position remains strong with $10.3 billion in total assets and $4.9 billion in net assets. Total cash and investments (without donor restrictions and the Medicare advance) amounted to almost $5.0 billion (or 321.7 days) at March 31, 2021, an decrease of $164 million over the balance at December 31, 2020. The Corporation continues to invest in capital with approximately $170 million through March. Additionally, the Corporation made debt service payments of $53 million which includes principal and interest. The Corporation also invested $61 million to expand its its ambulatory services joint ventures.

Total unrestricted cash and investments (excluding Medicare Advance) for the Corporation as of March 31, 2021 and December 31, 2020 were as follows:

| | **March 31, 2021** | **December 31, 2020** |
|---|---|---|
| Cash and cash equivalents | 324,092 | 100,380 |
| Current investments | 37,246 | 366,074 |
| Noncurrent investments | 4,629,352 | 4,688,506 |
| Total unrestricted cash and investments | 4,990,690 | 5,154,960 |

The following charts present the allocation of unrestricted cash and investments by asset type and the portfolio's liquidity as of March 31, 2021.

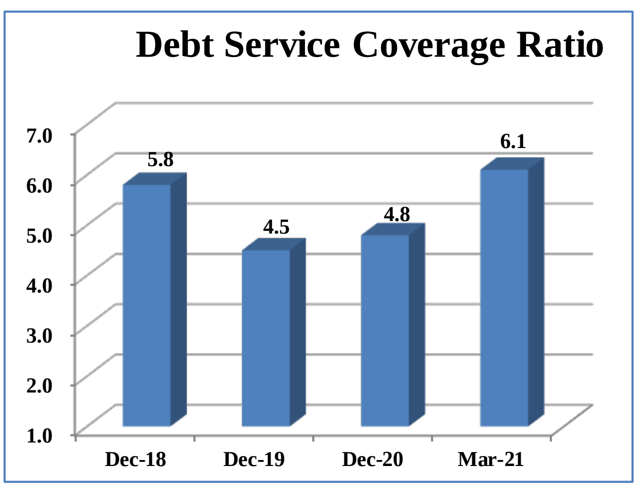


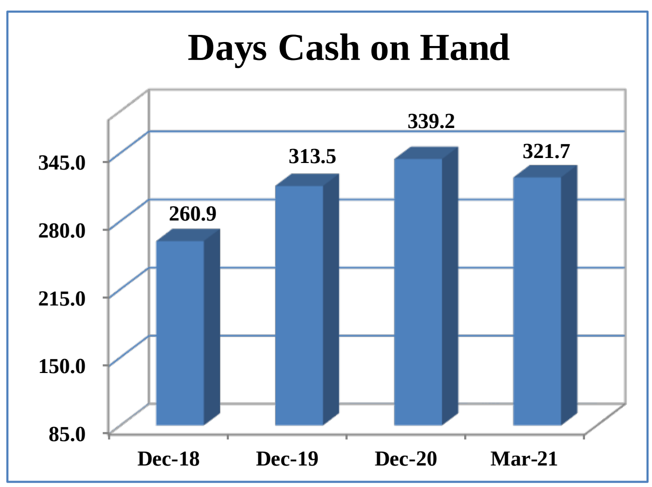




In accordance with the Corporation's IPS, at least 75% of the asset value of the unrestricted portfolio must be classified as "monthly" liquidity as reported to the rating agencies. As of March 31, 2021, 85% of the total unrestricted cash and investments were classified as monthly liquidity or less.

***Financial Condition***

The following charts present the debt service coverage ratio and total days cash on hand for the selected dates below.




Days cash on hand and the cash-to-debt ratio have been adjusted to exclude the Medicare Advance received under the CARES Act. The increase in the debt service coverage ratio is driven by realized gains in the first quarter of 2021 over the prior year.

On March 31, 2020, the Corporation entered into a secured revolving promissory note (the Note) for the maximum principal amount of $100,000 with JPM for routine working capital needs. The Note expired on March 31, 2021 and was replaced with a $50,000 secured revolving promissory note (New Note) with JPM expiring on March 31, 2022. This New Note contains an accordion feature that allows the Corporation to increase the loan by an additional $50,000. There are no borrowings outstanding.

The following table presents key financial indicators as of March 31, 2021, December 31, 2020 and December 31, 2019 as compared to S&P's "AA", "AA-" and "A+" medians.

| | March 31, 2021 | December 31, 2020 | December 31, 2019 | AA- | A+ | A+ |
|---|---|---|---|---|---|---|
| Debt service coverage | 6.1 | 4.8 | 4.5 | 6.5 | 4.8 | 4.4 |
| Debt-to-capitalization | 35.3% | 35.6% | 41.1% | 23.3% | 29.2% | 33.1% |
| Cash-to-debt | 192.3% | 197.8% | 171.3% | 259.9% | 187.7% | 164.0% |
| Days cash on hand | 321.7 | 339.2 | 313.5 | 341.8 | 243.2 | 188.6 |

The following table presents other select ratios as of March 31, 2021, December 31, 2019 and 2018

| | March 31, 2021 | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Days in patient accounts receivable | 40.8 | 42.8 | 37.7 |
| Days in accounts payable | 60.4 | 58.6 | 56.9 |
| Reinvestment ratio[1] | 2.10 | 1.82 | 1.54 |

[1] Based on a rolling 12-months.

# RWJ BARNABAS HEALTH, INC.

Consolidated Balance Sheets

(In thousands)

| **Assets** | | **March 31, 2021** | **December 31, 2020** |
|---|---|---|---|
| | | (unaudited) | (audited) |
| Current assets: | | | |
| Cash and cash equivalents | $ | 324,092 | 100,380 |
| Short-term investments | | 245,831 | 578,074 |
| Assets limited or restricted as to use | | 91,955 | 142,603 |
| Patient accounts receivable, net | | 664,859 | 589,224 |
| Estimated amounts due from third party payors | | 31,022 | 31,022 |
| Other current assets | | 268,764 | 238,624 |
| Total current assets | | 1,626,523 | 1,679,927 |
| Assets limited or restricted as to use, non-current portion | | 275,128 | 273,902 |
| Investments | | 4,976,767 | 5,032,506 |
| Property, plant and equipment, net | | 2,612,283 | 2,563,409 |
| Right-of-use asset, net | | 263,555 | 269,663 |
| Other assets, net | | 541,298 | 457,500 |
| Total assets | | 10,295,554 | 10,276,907 |
| **Liabilities and Net Assets** | | | |
| Current liabilities: | | | |
| Accounts payable | | 430,107 | 388,370 |
| Accrued expenses and other current liabilities | | 887,234 | 949,233 |
| Estimated amounts due to third party payors | | 177,846 | 207,932 |
| Long-term debt | | 9,239 | 9,224 |
| Lease obligation | | 41,566 | 42,237 |
| Self-insurance liabilities | | 80,531 | 82,931 |
| Total current liabilities | | 1,626,523 | 1,679,927 |
| Estimated amounts due to third party payors, net of current portion | | 399,351 | 400,550 |
| Self insurance liabilities, net of current portion | | 273,490 | 265,940 |
| Long-term debt, net of current portion | | 2,589,265 | 2,592,403 |
| Lease obligation, net of current portion | | 233,759 | 237,046 |
| Accrued pension liability | | 30,507 | 31,465 |
| Other liabilities | | 213,607 | 210,148 |
| Total liabilities | | 5,366,502 | 5,417,479 |
| Net assets: | | | |
| Without donor restrictions | | 4,745,481 | 4,677,376 |
| With donor restrictions | | 183,571 | 182,052 |
| Total net assets | | 4,929,052 | 4,859,428 |
| Total liabilities and net assets | $ | 10,295,554 | 10,276,907 |

See accompanying notes to consolidated financial statements.

**RWJ BARNABAS HEALTH, INC.**

Consolidated Statements of Operations

Three months ended March 31, 2021 and 2020

(In thousands)

(Unaudited)

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Revenue: | | | | |
| Patient service revenue | $ | 1,466,665 | | 1,314,702 |
| CARES Act grant revenue | | 23,760 | | - |
| Other revenue, net | | 85,137 | | 65,748 |
| Total revenue | | 1,575,562 | | 1,380,450 |
| Expenses: | | | | |
| Salaries and wages | | 611,970 | | 545,774 |
| Physician fees and salaries | | 172,744 | | 143,851 |
| Employee benefits | | 119,929 | | 116,688 |
| Supplies | | 299,620 | | 280,397 |
| Other | | 273,609 | | 257,691 |
| Interest | | 25,327 | | 25,290 |
| Depreciation and amortization | | 70,669 | | 63,219 |
| Total expenses | | 1,573,868 | | 1,432,910 |
| Income (loss) from operations | | 1,694 | | (52,460) |
| Nonoperating revenue (expenses): | | | | |
| Investment income (loss), net | | 51,742 | | (283,785) |
| Other, net | | 12,377 | | (1,679) |
| Total nonoperating revenue (expenses), net | | 64,119 | | (285,464) |
| Excess (deficiency) of revenue over expenses | | 65,813 | | (337,924) |
| Other changes: | | | | |
| Pension changes other than net periodic benefit cos | | 1,529 | | 1,679 |
| Net assets released from restriction for purchases of property and equipmen | | 429 | | 2,780 |
| Other, net | | 334 | | (963) |
| Increase (decrease) in net assets without donor restrictions | $ | 68,105 | $ | (334,428) |

See accompanying notes to consolidated financial statements.

**RWJ BARNABAS HEALTH, INC.**

Consolidated Statements of Changes in Net Assets

Period ended March 31, 2021 and March 31, 2020

(In thousands)

(Unaudited)

| | Without donor restrictions | With donor restrictions | Total net assets |
|---|---|---|---|
| Net assets at December 31, 2019 | $ 3,759,788 | 173,036 | 3,932,824 |
| Changes in net assets: | | | |
| Deficiency of revenues over expenses | (337,924) | - | (337,924) |
| Pension changes other than net periodic benefit cost | 1,679 | - | 1,679 |
| Change in interest in restricted net assets of unconsolidated foundation | - | (1,662) | (1,662) |
| Net assets released from restriction | 2,780 | (4,953) | (2,173) |
| Restricted contributions | - | 4,606 | 4,606 |
| Investment income, net | - | 56 | 56 |
| Other | (963) | (635) | (1,598) |
| Changes in net assets | (334,428) | (2,588) | (337,016) |
| Net assets at March 31, 2020 | 3,425,360 | 170,448 | 3,595,808 |
| Net assets at December 31, 2020 | 4,677,376 | 182,052 | 4,859,428 |
| Changes in net assets: | | | |
| Excess of revenues over expenses | 65,813 | | 65,813 |
| Pension changes other than net periodic benefit cost | 1,529 | - | 1,529 |
| Change in interest in restricted net assets of unconsolidated foundation | - | (58) | (58) |
| Net assets released from restriction | 429 | (2,030) | (1,601) |
| Restricted contributions | | 3,547 | 3,547 |
| Investment income, net | - | 75 | 75 |
| Other | 334 | (15) | 319 |
| Changes in net assets | 68,105 | 1,519 | 69,624 |
| Net assets at March 31, 2021 | $ 4,745,481 | 183,571 | 4,929,052 |

See accompanying notes to consolidated financial statements.

**RWJ BARNABAS HEALTH, INC.**

Consolidated Statements of Cash Flows

Three months ended March 31, 2021 and 2020

(In thousands)

(Unaudited)

| | 2021 | 2020 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 69,624 | (337,016) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Pension changes other than net periodic benefit cost | (1,529) | (1,679) |
| Depreciation and amortization expense | 70,669 | 63,219 |
| Amortization of bond financing costs, premiums and discounts | (1,888) | (1,909) |
| Net change in unrealized losses on investments | 85,895 | 301,215 |
| Realized (gains) losses on investments | (118,502) | 2,075 |
| Gain on interest rate swaps | (12,948) | - |
| Equity in income of joint venture | (17,561) | (8,475) |
| Distributions received from investments in joint ventures | 10,612 | 7,804 |
| Distributions to noncontrolling interests | 98 | - |
| (Gain) loss on sale of assets | (848) | 421 |
| Changes in operating assets and liabilities: | | |
| Patient accounts receivable | (75,635) | 27,112 |
| Reduction in the carrying amount in the right-of-use assets | 15,841 | 13,881 |
| Other assets | (33,500) | (20,197) |
| Accounts payable, accrued expenses, and other current liabilities | 29,295 | (107,268) |
| Estimated amounts due from and to third-party payors | (31,285) | (12,997) |
| Accrued pension liability | 571 | 1,679 |
| Lease obligation, self-insurance and other long-term liabilities | (5,082) | 24,709 |
| Net cash used in operating activities | (16,173) | (47,426) |
| Cash flows from investing activities: | | |
| Purchases of property, plant, and equipment, net | (170,291) | (83,146) |
| Purchases of investments | (1,147,960) | (1,832,795) |
| Proceeds from the sale of investments | 1,659,866 | 1,996,721 |
| Investment in joint venture | (60,541) | (98,141) |
| Proceeds from sale of assets | 2,039 | 421 |
| Net cash provided by (used in) investing activities | 283,113 | (16,940) |
| Cash flows from financing activities: | | |
| Repayments of long-term debt | (1,235) | (2,419) |
| Distributions to noncontrolling interest | (98) | - |
| Net cash used in financing activities | (1,333) | (2,419) |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 265,607 | (66,785) |
| Cash, cash equivalents, and restricted cash at beginning of year | 121,565 | 350,287 |
| Cash, cash equivalents, and restricted cash at end of period | $ 387,172 | 283,502 |
| Cash and cash equivalents | $ 324,092 | 265,580 |
| Restricted cash included in assets limited or restricted as to use | 63,080 | 17,922 |
| Total cash, cash equivalents, and restricted cash | $ 387,172 | 283,502 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | $ 51,988 | 44,706 |
| Supplemental disclosures of noncash investing and financing activity: | | |
| Change in noncash acquisitions of property, plant and equipment | (49,557) | (7,415) |

See accompanying notes to the consolidated financial statements.

## (1) Organization

RWJ Barnabas Health, Inc. (the Corporation) is a not for profit, tax-exempt corporation located in West Orange, New Jersey. RWJ Barnabas Health, Inc. is the sole corporate member or sole shareholder of the Corporation's affiliated organizations and subsidiaries. The Corporation was organized to develop and operate a multihospital healthcare system providing a comprehensive spectrum of healthcare services, principally to the residents of New Jersey and surrounding areas.

The services and facilities of the Corporation include 11 acute care hospitals, 3 acute care children's hospitals, a pediatric rehabilitation hospital with a network of outpatient centers, a freestanding 100-bed behavioral health center, two trauma centers, a satellite emergency department, ambulatory care centers, geriatric centers, the state's largest behavioral health network, comprehensive home care and hospice programs, fitness and wellness centers, retail pharmacy services, medical groups, multi-site imaging centers, accountable care organizations, a burn treatment facility, comprehensive cancer services, breast centers and comprehensive cardiac surgery services, including a heart transplant center, a lung transplant center, and kidney transplant centers.

## (2) Significant Accounting Policies

### *(a) Basis of Accounting of Financial Statement Presentation*

The accompanying unaudited consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting. Footnotes and other disclosures that would substantially duplicate the disclosures contained in an audited financial statement have been omitted. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements of the Corporation. Eliminations and reporting adjustments have been made to present the information in accordance with GAAP. The data should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020 and related notes. Information for the three months ended March 31, 2021 is not based on audited information but, in the opinion of management, is presented on a basis consistent with the audited consolidated financial statements and includes adjustments necessary for a fair presentation therein. Adjustments to these financial statements may occur as a result of a more comprehensive review undertaken as part of the audit process for the year ending December 31, 2021.

The consolidated financial statements include all affiliates and other entities for which operating control is exercised by the Corporation. Investments in entities where the Corporation does not have operating control are recorded under the equity or cost method of accounting. The Corporation has included its equity share of income or losses from investments in unconsolidated affiliates in other operating revenue. Intercompany balances and transactions have been eliminated.

### *(b) Use of Estimates*

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

### *(c) Recently Adopted Accounting Pronouncements*

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018 13, *Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which adds, modifies, and removes certain disclosure requirement for fair value measurement. The accounting standard is effective for fiscal years beginning after December 15, 2019. The Corporation adopted the standard on January 1, 2020, which included the removal of the valuation processes for Level 3 fair value measurements and the disclosures pertaining to the Corporation's policy on recognizing transfers among levels.

## (3) Revenue

### *(a) Patient Services Revenue*

The Corporation's patient service revenue is recognized at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients and third-party payors and include an estimate of variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility.

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in FASB Accounting Standards Codification (ASC) 606-10-50-14 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at year-end, which primarily relate to acute care patients (in-house). The performance obligations for these contracts are generally completed when the patients

The majority of the Corporation's services are rendered to patients with third-party payor insurance coverage. Reimbursement under these programs for all payors is based on a combination of prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Amounts received under Medicare and Medicaid programs are subject to review and final determination by program intermediaries or their agents and the contracts the Corporation has with commercial payors also provide for retroactive audit and review of claims. Agreements with

(Continued)

third-party payors typically provide for payments at amounts less than established charges. For further discussion on third-party reimbursement, refer to note 5. Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or by law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Implicit price concessions are determined on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change and are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments arising from a change in the transaction price were not significant for the three months ended March 31, 2021 or 2020. Subsequent changes that are determined to be the result of an adverse change in the patient’s ability to pay are recorded as bad debt expense. There was no bad debt expense for the three months ended March 31, 2021 or 2020.

Consistent with the Corporation’s mission, care is provided to patients regardless of their ability to pay. The Corporation has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (e.g., co-pays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients. Patients who meet the Corporation’s criteria for charity care are provided care without charge or at amounts less than established charges. The Corporation has determined that it has provided sufficient implicit price concessions for these accounts. Price concessions, including charity care, are not reported as revenue.

The Corporation has elected the financing component practical expedient and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Corporation’s expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payors pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract. The Corporation has determined that the nature, amount, timing, and uncertainty of patient service revenue and cash flows are affected by payors and service lines.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates could change by a material amount. During the three months ended March 31, 2021 and 2020 certain prior year third-party cost reports were audited and settled, or tentatively settled by third-party payors. Adjustments resulting from such audits, settlements, and management reviews are reflected as adjustments to patient service revenue in the period that adjustments become known. The effect of cost report settlements increased patient service revenue by approximately $4,411 and $1,431 respectively, for the three months ended

(Continued)

March 31, 2021 and 2020. Although certain other prior year cost reports submitted to third-party payors remain subject to audit and retroactive adjustment, management does not expect any material adverse settlements.

***(b) Other Revenue***

Other revenue includes income from grants, equity in the income of healthcare joint ventures, unrestricted contributions, net assets released from restriction, cafeteria sales, and parking receipts. Grant revenue and contributions of the Corporation are nonexchange transactions in which no commensurate value is exchanged. In such cases, contribution accounting is applied under ASC Topic 958, *Not-for-Profit Entities*. See note 4 for grant funding received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Equity in the income of joint ventures is evaluated under ASC Topic 323, *Investments – Equity Method and Joint Ventures*.

Additionally, pharmacy sales and other contracts related to healthcare services are included in other revenue and consist of contracts, which vary in duration and in performance. Revenue is recognized when the performance obligations identified within the individual contracts are satisfied and collections are probable.

## (4) COVID-19 Pandemic and Government Funding

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Although the Corporation has activated plans to address the COVID-19 threat and is operating pursuant to infectious disease protocols and an emergency plan, the impact of a pandemic, epidemic, or outbreak of an infectious disease is a risk for all companies and is difficult to predict. The primary focus in all the activities of the Corporation is the health and safety of the employees, patients, communities, and healthcare workers across its service areas. The Corporation's operations have been adversely affected as a result of COVID-19, and the challenge to keep pace and proactively manage the developing scenarios is a potential risk that the Corporation will continue to actively manage. In accordance with direction and mandates from the Governor of the State of New Jersey, the Corporation cancelled or postponed all non-emergent and elective procedures effective March 27, 2020. On May 26, 2020, the Governor changed the restrictions allowing the Corporation to resume non-emergent and elective procedures. The cancellation of procedures had a significant impact on volumes and revenues during 2020.

On March 27, 2020, the President signed into law the CARES Act, which provides economic assistance to a wide array of industries, including healthcare. The CARES Act provides financial relief under several programs including a funding advance of Medicare payments, deferral of the employer portion of payroll taxes and establishment of the Provider Relief Fund (PRF). The U.S. Department of Health and Human Services (HHS) will provide $175,000,000 to assist healthcare providers in the recovery of lost revenues attributable to COVID-19 and healthcare-related expenses. Under the PRF, the Corporation has received approximately $658,000 as of March 31, 2021. These funds are considered a grant that is not subject to repayment, provided the Corporation maintains compliance with the related terms, conditions, and reporting requirements of the grant set forth by HHS. The compliance and reporting requirements, as issued and updated by HHS, may continue to evolve, which could impact the amounts recognized by the Corporation through this program. For the three months ended March 31, 2021, $23,760 of stimulus

(Continued)

funding was recognized, bringing the total amount recognized to $595,000. The remaining deferred payments may be recognized as other operating revenue in future periods, subject to compliance with current rules and conditions and ongoing regulatory clarifications.

During the year ended December 31, 2020, the Corporation received approximately $556,000 in Medicare payment advances under the Medicare Accelerated and Advanced Payment Program. Approximately $212,000 is recorded in deferred revenue in short-term estimated amounts due to third-party payors, with the balance of $344,000 recorded as long-term in the consolidated balance sheet. Medicare started recouping these advances in April 2021 and, as of April 30, 2021, those recoupments totaled $16,600. Final recoupments are expected by August 2022.

The Corporation elected to defer the deposit and payment of the employer's share of Social Security taxes incurred from March 27, 2020 through December 31, 2020 as allowed under the CARES Act. The program requires payment of 50% of the deferred taxes by December 31, 2021 and 50% by December 31, 2022. The Corporation has accumulated approximately $88,000 of deferred employer payroll taxes within accrued expenses and other current liabilities and other liabilities in the consolidated balance sheet.

## (5) Fair Value Measurements

ASC 820, *Fair Value Measurement* establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

*Level 1*: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include cash and cash equivalents and debt and equity securities that are traded in an active exchange market.

*Level 2*: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities and corporate bonds.

*Level 3*: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. The Corporation currently holds no Level 3 investments.

(Continued)

The following tables present the Corporation's fair value hierarchy for those assets measured at fair value on a recurring basis, and exclude pledges receivable, net, other investments, and accrued interest receivable, as of March 31, 2021 and December 31, 2020:

| | March 31, 2021 | | | | |
|---|---|---|---|---|---|
| | **Fair value** | **Level 1** | **Level 2** | **Level 3** | **NAV** |
| Investment categories: | | | | | |
| Cash and cash equivalents | | | | | |
| and money market funds | $ 445,371 | 445,371 | — | — | — |
| Equity securities | 320,587 | 320,587 | — | — | — |
| Equity mutual funds | 1,545,223 | 1,545,223 | | | |
| Fixed income mutual funds | 379,634 | 379,634 | — | — | — |
| Certificates of deposit | 5,853 | — | 5,853 | — | — |
| Unit investment trust | 1,061 | 1,061 | — | — | — |
| Commercial mortgage-backed securities | 132,778 | — | 132,778 | — | — |
| Corporate bonds | 1,140,780 | — | 1,140,780 | — | — |
| Asset-backed securities | 369,776 | — | 369,776 | — | — |
| Government bonds | 143,846 | — | 143,846 | — | — |
| Government mortgage-backed securities | 147,876 | — | 147,876 | — | — |
| Municipal bonds | 57,022 | — | 57,022 | — | — |
| Alternative investments | 854,608 | — | — | — | 854,608 |
| Total | $ 5,544,415 | 2,691,876 | 1,997,931 | — | 854,608 |

(Continued)

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | **Fair value** | **Level 1** | **Level 2** | **Level 3** | **NAV** |
| Investment categories: | | | | | |
| Cash and cash equivalents | | | | | |
| and money market funds | $ 697,663 | 697,663 | — | — | — |
| Equity securities | 408,568 | 408,568 | — | — | — |
| Equity mutual funds | 1,510,039 | 1,510,039 | — | | |
| Fixed income mutual funds | 372,531 | 372,531 | — | — | — |
| Certificates of deposit | 5,853 | — | 5,853 | — | — |
| Unit investment trust | 1,061 | 1,061 | — | — | — |
| Commercial mortgage-backed | | | | | |
| securities | 135,484 | — | 135,484 | — | — |
| Corporate bonds | 1,179,987 | — | 1,179,987 | — | — |
| Asset-backed securities | 417,747 | — | 417,747 | — | — |
| Government bonds | 175,878 | — | 175,878 | — | — |
| Government mortgage-backed | | | | | |
| securities | 214,319 | — | 214,319 | — | — |
| Municipal bonds | 62,817 | — | 62,817 | — | — |
| Alternative investments | 800,096 | — | — | — | 800,096 |
| Total | $ 5,982,043 | 2,989,862 | 2,192,085 | — | 800,096 |

## (6) Long-term debt

Long-term debt consists of the following:

| | **March 31, 2021** | **December 31, 2020** |
|---|---|---|
| Revenue and refunding bonds | $ 2,170,187 | 2,170,284 |
| Senior secured notes | 300,000 | 300,000 |
| Finance lease obligations | 32,844 | 33,982 |
| Total long-term debt | 2,503,031 | 2,504,266 |
| Plus unamortized bond premium | 112,338 | 114,557 |
| Less: | | |
| Unamortized bond discount | 1,323 | 1,376 |
| Deferred financing costs, net | 15,542 | 15,820 |
| Current portion | 9,239 | 9,224 |
| Long-term portion | $ 2,589,265 | 2,592,403 |

(Continued)

Under the terms of the Master Trust Indenture (MTI), Barnabas Health, Inc., Children's Specialized Hospital (CSH), Clara Maass Medical Center, Community Medical Center, Jersey City Medical Center, Monmouth Medical Center (including Monmouth Medical Center, Southern Campus), Newark Beth Israel Medical Center, RWJ Barnabas Health, Inc., Robert Wood Johnson University Hospital (RWJUH), Robert Wood Johnson University Hospital at Hamilton, Robert Wood Johnson University Hospital Rahway, and Saint Barnabas Medical Center (SBMC) are members of an Obligated Group. Substantially all of the Corporation's debt is subject to the provisions of the MTI.

To secure its payment obligations, the Obligated Group has granted to the Trustee a first lien and security interest in the gross revenue of each member of the Obligated Group.

Obligated Group members are jointly and severally liable under the MTI. The Corporation does have the right to name designated affiliates. Though designated affiliates are not obligated to make debt service payments on the obligations under the MTI, the Corporation may cause each designated affiliate to transfer such amounts as necessary to enable the Obligated Group members to comply with the terms of the MTI, including payment of the outstanding obligations.

The Corporation's Obligated Group is required to maintain certain financial covenants in connection with the New Jersey Health Care Facilities Financing Authority (NJHCFFA) and credit arrangements with a consortium of banks, including JPMorgan Chase Bank, N.A. (JPMorgan) and TD Bank.

On March 25, 2020 and April 7, 2020, the Corporation entered into forward interest rate swap agreements with JPM and Bank of America, respectively. Under the terms of these agreements, the Corporation is paying fixed interest rates ranging from 0.90275% to 1.01250% in exchange for variable rate payments equal to 70% of the effective Federal funds rate. The notional amounts on these swap agreements are also tied to the outstanding principal on the underlying bond series. The Corporation has the option to terminate either of the interest rate swap agreements on or before July 1, 2034. For the three months ended March 31, 2021, the Corporation has recorded $12,948 in nonoperating revenue related to its interest rate swap agreements. As of March 31, 2021, the fair market value of the interest rate swap agreements, net of a credit value adjustment of $1,595, was $17,456 and in included in Other Assets.

On March 31, 2020, the Corporation entered into a secured revolving promissory note (the Note) for the maximum principal amount of $100,000 with JPM for routine working capital needs. The terms of the Note include a commitment fee of .12% and a LIBOR spread at .55%. The Note expired on March 31, 2021 and was replaced with a $50,000 secured revolving promissory note (New Note) with JPM expiring on March 31, 2022. This New Note contains an accordion feature that allows the Corporation to increase the loan by an additional $50,000. The terms of the New Note include a commitment fee of .12% and a LIBOR spread at .55% on the first $50,000. As of May 14, 2021 there were no borrowings under the New Note.

## (7) Employee Benefit Plans

The Corporation maintains several benefit plans for its employees. The following are brief descriptions of those plans and related expenses for the three months ended March 31, 2021 and 2020:

(Continued)

- The Corporation provides pension benefits to its employees through defined contribution plans. Contributions to these plans are based on percentages of annual salaries. It is the policy of the Corporation to fund accrued costs under these plans on a current basis. Pension expense related to these defined contribution plans was approximately $22,187 and $20,840 for the three months ended March 31, 2021 and 2020, respectively.

- Certain affiliates of the Corporation contribute to various multiemployer defined-benefit pension plans under the terms of collective bargaining agreements that cover union-represented employees. Contributions to these plans approximated $1,174 and $1,155 for the three months ended March 31, 2021 and 2020, respectively.

- Certain employees of the Corporation participate in deferred compensation plans. Eligible employees may defer compensation under a salary reduction agreement, subject to certain dollar limitations. Payments, upon retirement or termination of employment, are based on amounts credited to individual accounts. In connection with these plans, certain affiliates deposit amounts with trustees on behalf of participating employees. Under the terms of these plans, the Corporation is not responsible for investment gains or losses incurred. The assets are restricted for payments under the plans. The plans are funded based upon the benefit formula as outlined in the plan documents.

The RWJ Barnabas Health Retirement Income Plan (the RWJBH Plan) covers substantially all employees of the Corporation. The RWJBH Plan is currently frozen and no participants accrue credited service or contribute to the RWJBH Plan.

The assets of the RWJBH Plan are managed under a liability-driven investment (LDI) strategy. Under the LDI strategy, the expected rate of return on plan assets is based upon the assumption that plan assets will be invested primarily in fixed income and other related securities based upon their ability to perform similarly to the characteristics of the plan liabilities over time. The policy of the Corporation is to evaluate the annual funding liability on a calendar year basis. No contributions were made to the RWJBH Plan during the three months ended March 31, 2021 and 2020.

## (8) Partnership with Rutgers, the State University of New Jersey

The Corporation, Rutgers, the State University of New Jersey (Rutgers) and Rutgers Health Group (RHG) are participants in a Master Affiliation Agreement (MAA) to partner and create the state's largest academic health care system with the goal of integrating medical education, advanced research, and healthcare delivery to produce world-class clinical services and outcomes.

The Corporation, Rutgers, and RHG are separate and distinct legal entities. The MAA requires reciprocal commitments and the alignment of each party's respective strategic, operational and financial interests, and activities as part of a coordinated and mutually supportive academic health system. A Joint Committee was established for strategic planning and oversight featuring equal representation from the Corporation and Rutgers.

(Continued)

As part of the MAA, the Corporation has invested $100,000. In connection with this investment, the Corporation capitalized $45,000 for the acquisition of the Rutgers Health brand name. In addition, more than one billion dollars over 20 years will be invested to expand the education and research mission of the integrated academic health system. During the three months ended March 31, 2021 and 2020, the Corporation made payments to Rutgers in the amounts of $28,102 and $10,159, respectively, related to the MAA. As of March 31, 2021 and December 31, 2020, the Corporation owed Rutgers $49,901 and $55,308, respectively.

A component of the MAA was to form a comprehensive medical group comprising employed physicians and other health care professionals from the Corporation and Rutgers. Through the execution of an Integrated Practice Agreement (IPA) effective July 1, 2020, Rutgers and the Corporation have taken a step toward integrating the clinical services provided within Rutgers' Robert Wood Johnson Medical School (RWJMS) in the New Brunswick region and the Corporation's medical group practices.

Under the IPA, all current Rutgers employees in the clinical practices will remain Rutgers employees. The Corporation has assumed responsibility for the patient experience and administration of the RWJMS clinical enterprise. In connection with the IPA, the Corporation is responsible for clinical losses above an agreed upon amount, which declines over an eight-year period ending June 30, 2028. For the three months ended March 31, 2021, the additional amount owed was estimated to be approximately $875,000.

The Corporation will also fund the construction of a new clinical and research building for the Rutgers Cancer Institute of New Jersey, the states only National Cancer Institute designated comprehensive cancer center. The new building will be adjacent to, and integrated with, the Corporation's medical center in New Brunswick. The estimated cost will be approximately $800,000.

## (9) Potential Affiliations

The Corporation and Saint Peter's Healthcare System (SPHCS) entered into a Definitive Agreement on September 10, 2020 to integrate the two healthcare systems. Under the terms of the Definitive Agreement, SPHCS, headquartered in New Brunswick, New Jersey, with its flagship hospital, Saint Peter's University Hospital, a 478-bed acute care teaching hospital and acute care children's hospital, will remain as a full-service provider of acute healthcare services, and would continue its mission and identity as a Catholic hospital in adherence with the standards of care stated in the Ethical and Religious Directives for Catholic Health Care Services. The Corporation has committed to making significant strategic capital investments in facilities, technology and innovation to enhance and expand clinical services provided at SPHCS.

The Corporation entered into a Definitive Agreement with Trinitas Regional Medical Center (Trinitas), a 554-bed, Catholic, acute care teaching hospital, headquartered in Elizabeth, New Jersey, on November 11, 2020. Under the terms of the agreement, the role of Trinitas as a full service, Catholic provider of acute healthcare services for the eastern Union County community will be enhanced. The Corporation will make significant investments in Trinitas and will expand the network of outpatient services currently provided by Trinitas, resulting in an even higher level of care for the community.

(Continued)

Approvals will be necessary from state and federal officials, and others, before any of the transactions are considered complete. It is not currently possible to determine if, or when, the transactions will be completed.

## (10) Commitments

The Corporation entered into an agreement with EPIC to deploy an integrated Electronic Health Record (EHR) with supporting revenue cycle, data analytics, and consumer-facing digital capabilities. When completed, this integration will, among other things, establish one EHR across all ambulatory sites to support the ability to manage physicians as one integrated practice and support the consolidation of the various revenue cycle systems to an integrated solution.

The implementation will be done in phases. The anticipated completion date is 2023, with a cost of approximately $750,000 over 10 years and will include capitalized costs as well as those that will be expensed as incurred.

## (11) Subsequent Events

Management evaluated all events occurring subsequent to March 31, 2021 and through May 14, 2021, the date the consolidated financial statements were available to be issued. The Corporation did not have any material recognizable subsequent events during the period, except as previously disclosed.

The following financial information as of March 31, 2021 (unaudited) and December 31, 2020 (audited) and for the three months ended March 31, 2021 and 2020 (unaudited) on pages 34 and 35 of the Corporation's Obligated Group was prepared for purposes of accommodating a certain group of bond and note holders. The financial information reflects the financial position and results of operations and changes in net assets of the Obligated Group and not of the entire Corporation and is not intended to be presented in conformity with U.S. generally accepted accounting principles.

# RWJ BARNABAS HEALTH, INC.

Consolidated Balance Sheets - Obligated Group

(In thousands)

| **Assets** | **March 31, 2021** | **December 31, 2020** |
|---|---|---|
| | (unaudited) | (audited) |
| Current assets: | | |
| Cash and cash equivalents | $ 440,014 | 185,327 |
| Short-term investments | 255,968 | 578,074 |
| Assets limited or restricted as to use | 2,124 | 55,604 |
| Patient accounts receivable, net | 586,785 | 527,453 |
| Estimated amounts due from third party payors | 31,022 | 31,022 |
| Other current assets | 223,079 | 224,348 |
| Total current assets | 1,538,992 | 1,601,828 |
| Assets limited or restricted as to use, non-current portion | 124,510 | 123,550 |
| Investments | 4,933,923 | 5,001,320 |
| Property, plant and equipment, net | 2,479,652 | 2,428,194 |
| Right-of-use asset | 185,387 | 191,468 |
| Other assets, net | 471,424 | 447,871 |
| Total assets | 9,733,888 | 9,794,231 |
| **Liabilities and Net Assets** | | |
| Current liabilities: | | |
| Accounts payable | 391,836 | 347,817 |
| Accrued expenses and other current liabilities | 726,808 | 803,713 |
| Estimated amounts due to third party payors | 163,070 | 193,182 |
| Long-term debt | 12,886 | 12,871 |
| Lease obligation | 25,669 | 26,768 |
| Due to affiliates, net | 187,544 | 190,535 |
| Self-insurance liabilities | 31,179 | 33,579 |
| Total current liabilities | 1,538,992 | 1,608,465 |
| Estimated amounts due to third party payors, net of current portion | 398,839 | 400,038 |
| Self insurance liabilities, net of current portion | 97,912 | 100,195 |
| Long-term debt, net of current portion | 2,521,964 | 2,525,076 |
| Lease obligation, net of current portion | 161,674 | 164,591 |
| Accrued pension liability | 30,507 | 31,465 |
| Other liabilities | 162,460 | 162,193 |
| Due to affiliates, long term, net | 19,813 | 19,813 |
| Total liabilities | 4,932,161 | 5,011,836 |
| Net assets | 4,801,727 | 4,782,395 |
| Total liabilities and net assets | $ 9,733,888 | 9,794,231 |

See accompanying note to consolidated financial statements - obligated group.

**RWJ BARNABAS HEALTH, INC.**

Consolidated Statements of Operations and Changes in Net Assets - Obligated Group

Three months ended March 31, 2021 and 2020

(In thousands)

(Unaudited)

| | | 2021 | 2020 |
|---|---|---|---|
| Revenue: | | | |
| Net patient service revenue | $ | 1,310,643 | 1,208,440 |
| CARES Act Funding | | 23,760 | - |
| Other revenue, net | | 60,732 | 57,896 |
| Total revenue | | 1,395,135 | 1,266,336 |
| Expenses: | | | |
| Salaries and wages | | 552,676 | 503,070 |
| Physician fees and salaries | | 131,200 | 131,668 |
| Employee benefits | | 106,784 | 106,815 |
| Supplies | | 276,199 | 256,487 |
| Other | | 226,751 | 235,927 |
| Interest | | 25,004 | 25,064 |
| Depreciation and amortization | | 66,344 | 59,759 |
| Total expenses | | 1,384,958 | 1,318,790 |
| Income (loss) from operations | | 10,177 | (52,454) |
| Nonoperating revenue (expenses): | | | |
| Investment income, net | | 50,376 | (277,871) |
| Other, net | | 12,385 | (1,654) |
| Total nonoperating revenue (expenses), net | | 62,761 | (279,525) |
| Excess (deficiency) of revenue over expenses | | 72,938 | (331,979) |
| Other changes in net assets: | | | |
| Pension changes other than net periodic benefit cost | | 1,529 | 1,679 |
| Net assets released from restriction for purchases of property and equipment | | 429 | 2,780 |
| Net assets transferred from non-obligated group | | - | 9,668 |
| Other, net | | (55,564) | (7,242) |
| Increase (decrease) in net assets | $ | 19,332 | (325,094) |

See accompanying note to consolidated financial statements - obligated group.