RWJBarnabas HEALTH

Secondary Market Disclosure Information

March 31, 2020

RWJ BARNABAS HEALTH, INC.

Consolidated Financial Statements and Supplementary Information as of March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and 2019

RWJ BARNABAS HEALTH, INC.
Secondary Market Disclosure Information
March 31, 2020

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

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 revolving promissory note for the maximum principal amount of $100 million with JP Morgan Chase Bank

RWJ BARNABAS HEALTH, INC.

Secondary Market Disclosure Information

March 31, 2020

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	341
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		**4,930**
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. In addition to licensed beds reported in this table, Children’s Specialized Hospital operates 27 Pediatric Day slots in Roselle Park, New Jersey.

RWJ BARNABAS HEALTH, INC.

Management's Discussion and Analysis

For the three months ended March 31, 2020 and 2019

(In thousands)

RWJ Barnabas Health, Inc. (the Corporation) is the largest, most comprehensive health care system in New Jersey, with a service area covering nine counties with five million people. The system includes eleven acute care hospitals – Clara Maass Medical Center (Clara Maass) in Belleville, Community Medical Center in Toms River, Jersey City Medical Center in Jersey City, Monmouth Medical Center in Long Branch, Monmouth Medical Center Southern Campus in Lakewood, Newark Beth Israel Medical Center (Newark Beth) in Newark, Robert Wood Johnson University Hospital (RWJUH) in New Brunswick, RWJUH Somerset in Somerville, RWJUH at Hamilton in Hamilton, RWJUH Rahway in Rahway and Saint Barnabas Medical Center (SBMC) in Livingston; three acute care children's hospitals and a leading pediatric rehabilitation hospital with a network of outpatient centers (Children's Specialized Hospital), 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 and breast centers and comprehensive cardiac surgery services, including a heart transplant center, a lung transplant center and kidney transplant centers.

The Corporation is one of New Jersey's largest private employers – with more than 33,000 employees, 9,000 physicians (excluding Rutgers physicians) and 1,000 residents and interns – and routinely captures national awards for outstanding quality and safety. The Corporation has also formed a partnership with Rutgers, the State University of New Jersey (Rutgers) 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) and Rutgers University Behavioral Health Care.

COVID-19

The Corporation's operations are subject to certain additional risks regarding the spread of COVID-19. The circumstances surrounding COVID-19 are unprecedented and continue to evolve, and New Jersey is currently one of the "hot spots" of the pandemic in the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020, the President declared a national emergency. Social distancing measures to slow the spread of COVID-19 were implemented across the region. Nonessential workers are required to stay home, and travel restrictions were implemented in New Jersey and other states to slow the spread of the disease. Despite the measures taken in early March, the number of diagnosed cases continued to rise through mid-April. The Corporation began COVID-19 disaster preparation activities as information was being received through third-party medical authorities regarding the outbreak. These activities included establishing an incident command team, pre-ordering supplies and equipment as well as preparing the Corporation's owned and leased spaces for the anticipated surge of COVID-19 patients. The Corporation also took measures to ensure access to capital for liquidity. On March 31, 2020, the Corporation entered into a secured revolving promissory note in the amount of $100 million with JPMorgan Bank for routine working capital needs (there are currently no borrowings outstanding under the note). As the crisis worsened in the New Jersey metropolitan area, additional measures were taken to address the pandemic including the cancelation of elective procedures on March 27, 2020 in accordance with government mandates, facilities reconfiguration and fit-out, supply chain ramp-up and expansion of staff resources. The influence of these measures began to affect the financial performance of the Corporation in March and is expected to continue through the duration of this crisis. The full scope of COVID-19 and any adverse impact on the Corporation's finances and operations cannot be fully determined at this time. Adverse consequences of COVID-19 may include, but are not limited to, a decline in revenues, an increase in operating costs, negative impacts to the investment portfolio, potential future liquidity concerns, as well as impacts to national and local economies. There can be no assurances about any predictions and such predictions may change materially as the crisis continues to unfold.

The national state of emergency that was declared on March 13, 2020 allowed FEMA funding to become available to qualified applicants. Additionally, Congress passed, and the President signed, several bills aimed at easing the financial burden of COVID-19 on the health care community, most notably the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). 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 Public Health and Social Services Emergency Fund (the PHSSEF), a $100 billion fund to assist healthcare providers to prevent, prepare for, and respond to COVID-19. In April the Corporation received $556 million of advanced Medicare reimbursement which, as of now, is required to be repaid in full within one year. The Corporation has also implemented procedures to defer employer payroll taxes which will help ease immediate liquidity concerns. Under the PHSSEF, the Corporation has currently received $447 million for its share, which is currently considered a grant that is not subject to repayment. Any of the above amounts are subject to change and the ultimate amount the Corporation may receive cannot be ascertained at this time. As of March 31, 2020, no amounts have been recorded.

Additionally, the Corporation has implemented procedures to capture costs arising directly from measures taken to treat COVID-19 and has taken steps to request funding under both the CARES Act, as noted above, and FEMA. The process of obtaining funding relief under FEMA and other government programs can be protracted and uncertain and an estimate of the total amount of funding that the Corporation will ultimately receive cannot be ascertained at this time.

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 connection with the financing transactions completed in October 2019, the rating agencies reviewed the financial outlook and performance of the Corporation. S&P affirmed the Corporation's long term rating of AA- with a stable outlook and Moody's affirmed its rating of A1 with a positive outlook.

The Corporation and its affiliates are recognized as one of the leading health care delivery systems, having received the following recognitions, among others:

- **Leapfrog Safety Scores** – The Spring 2020 scores were just released and recognize six of the acute care facilities as receiving an "A" grade. SBMC is one of only 32 facilities in the nation to have achieved straight "A" ratings since the program's inception.

- **Leapfrog Top Hospitals** – SBMC was recognized by The Leap Frog Group as a 2019 top teaching hospital, one of only 55 hospitals in the nation. RWJUH at Hamilton was one of only two New Jersey hospitals to be named a top general hospital.

- **LGBTQ Healthcare Equality** – In 2019, 8 hospitals applied and 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 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 2019, 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 –** 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.

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.

A key element of the transformative efforts is the formation of a comprehensive medical group composed of employed physicians and other health care professionals from the Corporation and Rutgers Health. Completion of this joint project is expected in the third quarter of 2020 and when completed, it will be one of the largest in the country and will have a unified clinical mission that complements our high quality standards of teaching and research excellence.

The Corporation will 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, as well as a new ambulatory care center, both in New Brunswick.

The Corporation and Rutgers are separate organizations, each with its own employees, but are closely aligned, sharing capabilities to develop and sustain a high-performing academic health system dedicated to research, education and clinical excellence. The boards are also independent; however they also participate in the governance of the other. Additionally, a Joint Committee was established for strategic planning and oversight of the academic health system, featuring equal representation from the Corporation and Rutgers.

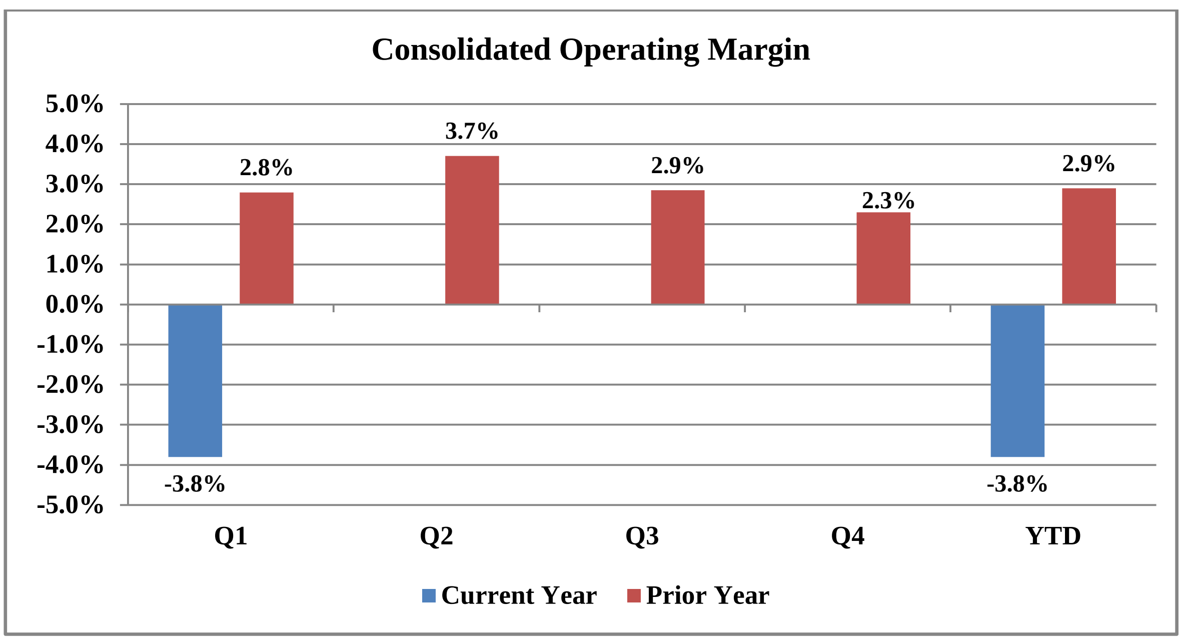
Management's Discussion and Analysis of Recent Financial Performance

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 91.7% of the total consolidated operating revenue and 98.3% of the total consolidated net assets as of and for the three months ended March 31, 2020. 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, 2019 for the consolidating schedules of the Corporation and the Obligated Group.

Financial Performance Overview

For the three months ended March 31, 2020, the Corporation's total operating loss and operating margin were $52,459 and -3.8%, respectively, compared to operating income and operating margin of $38,329 and 2.8% for the three months ended March 31, 2019. Total operating revenues grew by $5,828 or 0.4% compared to the three months ended March 31, 2019, while operating expenses increased by $96,616 or 7.2%.

The following chart shows the Corporation's operating margin by quarter as compared to the prior year.



Overall, net patient service revenue (NPSR) of $1,314,702 was slightly higher than prior year by $2,401. NPSR for the three months ended March 31, 2020 was significantly impacted by COVID-19. During this period, the Corporation experienced significant declines in inpatient and outpatient surgery as well as most all other volumes due to COVID-19 restrictions. NPSR shortfall for the month of March was approximately $61 million. Other revenue was higher than prior year due, in part, to pharmacy sales. For additional information, refer to the *Operating Revenue and Volume* discussion.

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

The Corporation's deficiency of revenues over expenses and deficiency of revenues over expenses margin for the three months ended March 31, 2020 were $337,923 and -30.9%, respectively, compared to excess of revenues over expenses and excess of revenues over expenses margin of $251,172 and 15.8% for the three months ended March 31, 2019. The excess of revenues over expenses is significantly lower than prior year due to investment performance. Net investment losses totaled $283,785, compared to net investment gains of $215,264 in 2019. During 2020, the Corporation experienced net unrealized losses of $301,215.Investment losses were driven by volatility in the global markets related to the COVID-19 pandemic. During March 2020, the Corporation incurred $223,570 of unrealized losses from investments.

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, including expanding its joint venture arrangements with various partners. 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.

<u>Operations and Excess of Revenue over Expenses</u>

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

	Three months ended March 31,	
	2020	**2019**
Operating (loss) income	(52,459)	38,329
Operating margin	-3.8%	2.8%
EBITDA	36,050	117,579
EBITDA margin	2.6%	8.6%
(Deficiency) excess of revenue	(337,923)	251,172
(Deficiency) excess of revenue margin	-30.9%	15.8%

Operating Revenue and Volume

The following table presents consolidated operating revenue and select volume statistics for the three months ended March 31, 2020 and 2019:

	Three months ended March 31,	
	2020	**2019**
Operating Revenue:		
Inpatient net patient service revenue	729,590	721,702
Outpatient net patient service revenue	495,823	499,677
Physician practice income	73,888	70,886
State of NJ subsidy revenue	15,401	20,036
Total net patient service revenue	1,314,702	1,312,301
Other operating revenue	66,034	62,607
Total operating revenue	1,380,736	1,374,908
Volume & utilization statistics:		
Acute care licensed beds	4,930	4,895
Average acute care beds in service	3,896	3,816
Acute care occupancy based on beds in service	72.4%	74.1%
Acute care length of stay	5.66	5.64
Acute care admissions	47,066	47,400
COVID-19 positive admissions	1,839	-
Adult and pediatric admissions	32,000	32,600
Newborn and NICU admissions	5,830	5,525
Maternity and obstetric cases	6,018	5,763
Patient days	256,752	257,339
Psychiatric hospital inpatient admissions	282	373
Same day surgery cases	13,513	14,977
Emergency room visits (excl. admits)	182,539	183,414
Observations	20,315	21,874

Inpatient NPSR of $729,590 was higher than prior year by $7,888. The increase was primarily due to managed care rate increases. During March 2020, the acute care hospitals experienced significant volume decreases related to COVID-19. Total surgical volume was below prior year by 10.7%. Although most inpatient services were impacted, cardiology and oncology were most affected. The inpatient NPSR shortfall for the month of March as compared to prior year was approximately $25 million. In addition, the effect of cost report settlements increased net patient service revenue by approximately $1,431 and $9,323, respectively, for the three months ended March 31, 2020 and 2019. Additionally, state of NJ subsidy revenue of $15,401 decreased from prior year by $4,635.

Outpatient NPSR of $495,823 was lower than prior year by $3,854. Outpatient volume was down approximately 5% due to decreased outpatient services related to COVID-19 restrictions, specifically same day surgeries by 10%. Other significantly impacted services were Cardiac Cath, neurology, infusion and radiology. The outpatient NPSR shortfall for the month of March as compared to prior year was approximately $34 million. The decrease was partially offset by managed care rate increases.

Physician practice income of $73,888 was higher than prior year by $3,002. The increase was primarily due to the addition of practices acquired since the prior year. However, physician group performance was significantly impacted by the global pandemic. The physician groups experienced a significant decline in patient visits, in part related to the complete closure of certain practices on a temporary basis.

Acute Care payor mix for the three months ended March 31, 2020 and 2019 is presented below:

	Patient Days	
Payor Mix	**2020**	**2019**
Medicare	30.4%	32.1%
Medicaid	6.6%	7.0%
Managed Medicare	17.1%	16.0%
Managed Medicaid	17.7%	17.1%
Managed Care	11,1%	11.6%
NJ Blue Cross & Commercial	11,4%	10.9%
Self-pay and Other	5.7%	5.3%
	100.0%	100.0%

Other operating revenue of $66,034 was higher than prior year by $3,427. 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 favorable variance was due primarily to higher 340B revenue related to a new contract that began in the first quarter of 2020 as well as higher prescription revenue as compared to prior year. Joint venture earnings were slightly lower due to the impact from COVID-19.

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:

Three months ended March 31,

	2020			2019		
	Net Operating Revenue	**Net Income**	**Net Income Attributable to RWJBH**	**Net Operating Revenue**	**Net Income**	**Net Income Attributable to RWJBH**
Surgical	$ 43,946	18,087	5,030	$ 38,444	18,289	4,843
Home Care & Hospice	41,474	3,914	1,991	40,546	4,012	2,040
Imaging	23,106	2,388	1,210	20,769	3,005	1,276
Other	11,782	1,095	434	13,023	2,166	713
	$ 120,308	25,484	8,665	112,782	27,472	8,872

The increase in revenue from surgical ventures was attributable to the addition of three new surgical centers during 2019; however the volume of billable procedures was impacted by COVID-19 as several practices were closed in the latter part of March. The Corporation invested almost $76 million to continue to expand its ambulatory care division during 2020.

The decrease in the home care and hospice, imaging and other ventures was primarily due to a decrease in volumes related to COVID-19 and closure of the fitness and wellness centers.

Operating Expenses

Total operating expenses for the three months ended March 31, 2020 increased by $96,616 or 7.2% from the three months ended March 31, 2019.

Summarized below are the consolidated operating expenses for the three months ended March 31, 2020 and 2019.

	Three months ended March 31,	
	2020	**2019**
Salaries and employee benefits	662,857	618,725
Physician fees and salaries	143,712	131,383
Supplies and other expenses	538,117	507,221
Interest	25,290	21,158
Depreciation and amortization	63,219	58,092
Total operating expenses	1,433,195	1,336,579

For the three months ended March 31, 2020, salaries and employee benefits increased by $44,132 or 7.1%, compared to the three months ended March 31, 2019. The increase in salaries and employee benefits was primarily due to an increase in FTEs, the addition of new medical practices, annual salary increases and increases in employee health plan costs based on the composite medical trend. There were also increased agency and overtime costs related to COVID-19 efforts.

Physician fees and salaries increased by $12,329 or 9.4%, compared to the three months ended March 31, 2019. The increase was driven by growth in employed physicians and the addition of new medical practices during the year.

Supplies and other expenses increased by $30,896 or 6.1%, compared to the three months ended March 31, 2019. Although total admissions were down 0.7% from 2019, supply costs were up primarily due to increased drug costs. Additionally, personal protective equipment and other related supplies needed to treat COVID-19 patients were purchased in larger quantities and at a significantly higher cost than in previous years. The Corporation also had increases in Transplants/TAVR cases and robotic surgeries over the same time period in 2019. These increases were partially offset due to elective surgeries, transplant programs and other services being deferred beginning in mid-March 2020 due to COVID-19 restrictions. Increase in legal expenses related to mergers and acquisition activity as well as costs related to the EPIC implementation also contributed to increased expenses.

Interest expense for the three months ended March 31, 2020 increased by $4,132 or 19.5%, compared to the three months ended March 31, 2019. The increase was driven by additional debt incurred during October 2019 as well as additional capital leases entered into.

Depreciation and amortization for the three months ended March 31, 2020 also increased by $5,127 or 8.8%, compared to the three months ended March 31, 2019. The increase was driven by large construction projects which were completed towards the end of 2019 and other investments in capital projects in 2020.

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, 2020 and 2019.

	Three months ended March 31,	
	2020	**2019**
Investment income	18,604	15,618
Realized (losses) gains on investments	(2,075)	4,065
Unrealized (losses) gains on trading investments	(300,314)	195,581
Net periodic benefit cost	(1,679)	(2,421)
Total nonoperating (expenses) revenue, net	(285,464)	212,843

Net investment income and realized (losses) gains totaled $16,529 and $19,683 while net unrealized (losses) gains totaled ($300,314) and $195,581 for the three months ended March 31, 2020 and 2019, respectively. Changes in the investment markets related to the pandemic have significantly impacted the Corporation's investment performance.

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,	
	2020	**2019**
Contributions without donor restrictions	801	1,051
Contributions with donor restrictions	4,586	5,256
Total contributions	5,387	6,307
Support to affiliates	6,943	7,507

In addition to the above and subsequent to March 31, 2020, the Foundations have experienced a large volume of gifts to help offset costs related to COVID-19 including cash gifts, pledges, personal protective equipment and other in-kind goods and services.

Unrestricted Cash and Investments

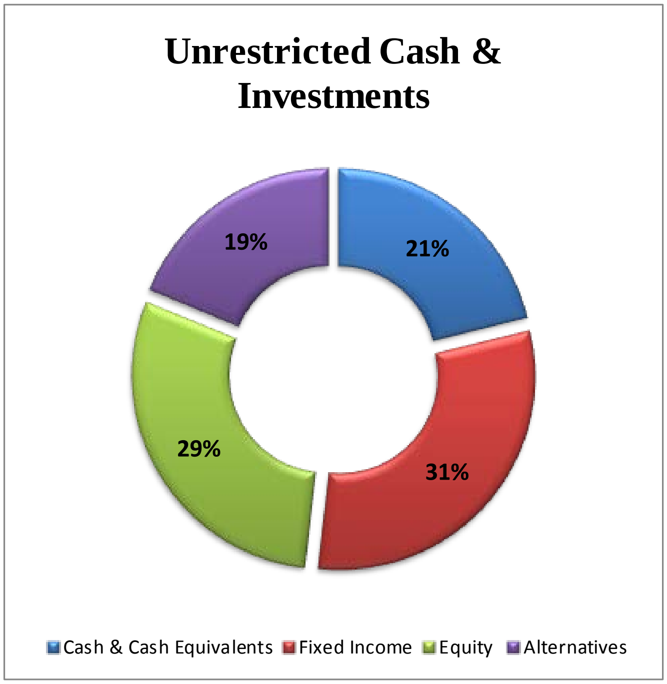
The Corporation's financial position remains strong with $8.0 billion in total assets and $3.6 billion in net assets. Total cash and investments (without donor restrictions) amounted to almost $4 billion (or 273.8 days) at March 31, 2020, a decrease of $500,340 over the balance at December 31, 2019. The decrease was primarily due to the volatility in the global markets related to the COVID-19 pandemic. The Corporation continues to invest in capital with approximately $83 million through March. Additionally, the Corporation made debt service payments of over $47 million which includes principal and interest. The Corporation also invested $22,584 to expand its medical groups and $75,557 to expand its ambulatory services.

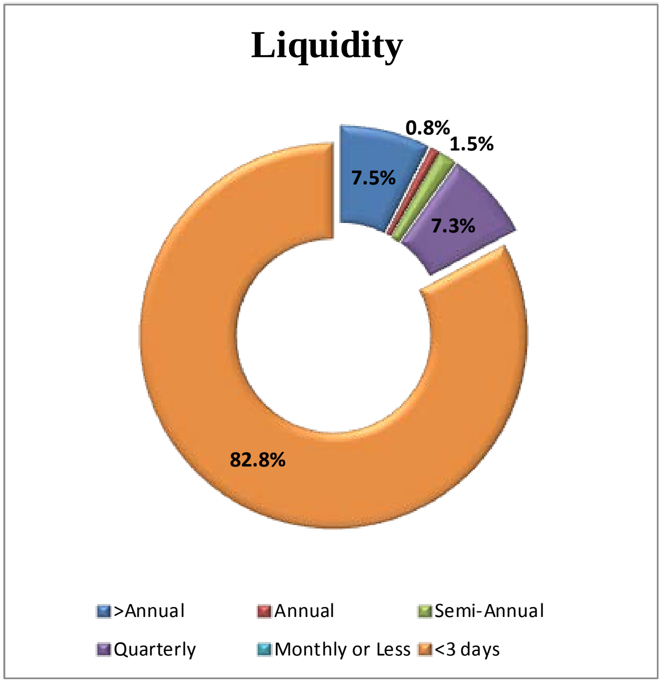
Total unrestricted cash and investments for the Corporation as of March 31, 2020 and 2019 were as follows:

	March 31, 2020	December 31, 2019
Cash and cash equivalents	265,580	337,060
Current investments	58,798	43,443
Noncurrent investments	3,661,533	4,105,748
Total unrestricted cash and investments	3,985,911	4,486,251

The Corporation maintains a highly diversified unrestricted investment portfolio that focuses on maximizing risk-adjusted returns while maintaining prudent levels of liquidity to meet the Corporation's cash flow needs and to stay in compliance with the Master Trust Indenture (MTI) and other credit agreements of the Corporation. The portfolio is managed in two pools, a long term pool having an intermediate to long term investment horizon focused on sustaining the System's mission, and a short term pool, having a short term investment horizon focused on preservation of capital to meet the System's near-term spending needs. An Investment Policy Statement (IPS) has been adopted by the Investment Committee of the Board of Trustees. The Committee monitors the portfolio's compliance to the IPS and delegates the implementation of the policy to the Chief Investment Officer and the Corporation's Investment Advisor.

The following charts present the allocation of unrestricted cash and investments by asset type and the portfolio's liquidity as of March 31, 2020.

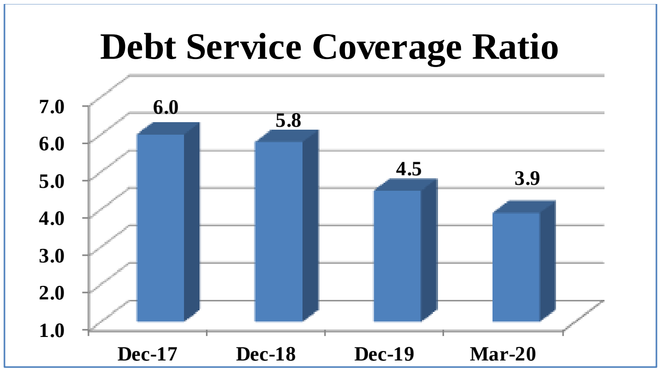


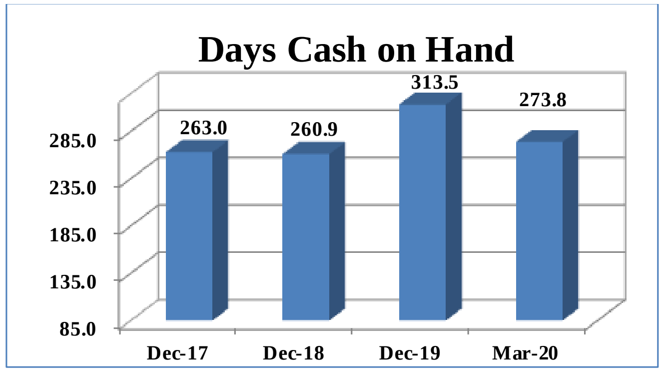


In accordance with the Corporation's IPS, at least 75% of the asset value of the unrestricted portfolio must be classified as "monthly" liquidity as reported to the rating agencies. As of March 31, 2020, 82.8% of the total unrestricted cash and investments were classified as monthly liquidity or less.

Financial Condition

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





The decline in the debt service coverage ratio from December 2019 to March 2020 was related to the deficiency in excess of revenue over expenses incurred during the first quarter related to COVID-19 pandemic; similarly the decline in days cash on hand was primarily due to unrealized investment losses related to market volatility caused by the COVID-19 pandemic.

On March 25 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.

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

	March 31, 2020	**December 31, 2019**	**AA**	**AA-**	**A+**
Debt service coverage	3.9	4.5	6.5	4.8	4.4
Debt-to-capitalization	43.3%	41.1%	23.3%	29.2%	33.1%
Cash-to-debt	152.4%	171.3%	259.9%	187.7%	164.0%
Days cash on hand	273.8	313.5	341.8	243.2	188.6

The following table presents other select ratios as of March 31, 2020, December 31, 2019 and 2018.

	March 31, 2020	**December 31, 2019**	**December 31, 2018**
Days in patient accounts receivable	36.4	37.7	36.3
Days in accounts payable	55.8	56.9	51.3
Reinvestment ratio	1.32	1.54	1.48

RWJ BARNABAS HEALTH, INC.

Consolidated Balance Sheets

(In thousands)

Assets	**March 31, 2020**	**December 31, 2019**
	(unaudited)	(audited)
Current assets:		
Cash and cash equivalents	$ 265,580	337,060
Short-term investments	58,798	43,443
Assets limited or restricted as to use	28,266	64,300
Patient accounts receivable, net	525,996	553,108
Estimated amounts due from third party payors	18,237	6,344
Other current assets	235,732	213,293
Total current assets	1,132,609	1,217,548
Assets limited or restricted as to use, non-current portion	265,246	262,873
Investments	3,661,533	4,105,748
Property, plant and equipment, net	2,295,865	2,284,195
Right-of-use asset, net	261,013	231,712
Other assets, net	390,018	293,448
Total assets	8,006,284	8,395,524
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	372,607	364,628
Accrued expenses and other current liabilities	601,800	724,462
Long-term debt	9,710	11,007
Lease obligation	41,075	40,443
Self-insurance liabilities	92,710	77,610
Total current liabilities	1,117,902	1,218,150
Estimated amounts due to third party payors, net of current portion	47,027	48,131
Self insurance liabilities, net of current portion	264,347	246,168
Long-term debt, net of current portion	2,605,002	2,608,033
Lease obligation, net of current portion	225,168	195,952
Accrued pension liability	21,554	21,554
Other liabilities	129,476	124,712
Total liabilities	4,410,476	4,462,700
Net assets:		
Without donor restrictions	3,425,360	3,759,788
With donor restrictions	170,448	173,036
Total net assets	3,595,808	3,932,824
Total liabilities and net assets	$ 8,006,284	8,395,524

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Operations

Three months ended March 31, 2020 and 2019

(In thousands)

(Unaudited)

	2020	2019
Revenue:		
Net patient service revenue	$ 1,314,702	1,312,301
Other revenue, net	66,034	62,607
Total revenue	1,380,736	1,374,908
Expenses:		
Salaries and wages	546,136	508,176
Physician fees and salaries	143,712	131,383
Employee benefits	116,721	110,549
Supplies	280,397	266,243
Other	257,720	240,978
Interest	25,290	21,158
Depreciation and amortization	63,219	58,092
Total expenses	1,433,195	1,336,579
(Loss) income from operations	(52,459)	38,329
Nonoperating (expenses) revenue:		
Investment (loss) income, net	(283,785)	215,264
Other, net	(1,679)	(2,421)
Total nonoperating (expenses) revenue, net	(285,464)	212,843
(Deficiency) excess of revenue over expenses	(337,923)	251,172
Other changes:		
Net change in unrealized (losses) gains on available for sale investments	(901)	25
Pension changes other than net periodic benefit cost	1,679	2,421
Net assets released from restriction for purchases of property and equipment	2,780	4,904
Other, net	(63)	(2,880)
(Decrease) increase in net assets without donor restrictions	$ (334,428)	$ 255,642

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Changes in Net Assets

Three months ended March 31, 2020 and 2019

(In thousands)

(unaudited)

	Without donor restrictions	With donor restrictions	Total net assets
Net assets at December 31, 2018	$ 3,084,128	176,474	3,260,602
Changes in net assets:			
Excess of revenues over expenses	251,172	-	251,172
Net change unrealized losses	25	286	311
Pension related changes other than net periodic benefit cost	2,421	-	2,421
Change in interest in restricted net assets of unconsolidated foundations	-	(1,555)	(1,555)
Net assets released from restriction	4,904	(8,312)	(3,408)
Restricted contributions	-	6,169	6,169
Investment income on restricted investments, net	-	54	54
Change in interest in perpetual trust	-	(892)	(892)
Other	(2,880)	142	(2,738)
Changes in net assets	255,642	(4,108)	251,534
Net assets at March 31, 2019	3,339,770	172,366	3,512,136
Net assets at December 31, 2019	3,759,788	173,036	3,932,824
Changes in net assets:			
Excess of revenues over expenses	(337,923)	-	(337,923)
Net change unrealized losses	(901)	(696)	(1,597)
Pension changes other than net periodic benefit cost	1,679	-	1,679
Change in interest in restricted net assets of unconsolidated foundations	-	(1,662)	(1,662)
Net assets released from restriction	2,780	(4,953)	(2,173)
Restricted contributions	-	4,606	4,606
Investment income on restricted investments, net	-	56	56
Other	(63)	61	(2)
Changes in net assets	(334,428)	(2,588)	(337,016)
Net assets at March 31, 2020	$ 3,425,360	170,448	3,595,808

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Cash Flows

Three months ended March 31, 2020 and 2019

(In thousands)

(Unaudited)

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	(337,016)	251,534
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Pension changes other than net periodic benefit cost		(1,679)	(2,421)
Depreciation and amortization expense		63,219	58,092
Amortization of bond financing costs, premiums and discounts		(1,909)	(1,295)
Amortization of right of use asset		13,881	13,858
Derecognition of build to suit lease		-	2,710.00
Net change in unrealized losses (gains) on investments		301,215	(195,606)
Realized losses (gains) on investments		2,075	(4,065)
Equity in income of joint venture		(8,475)	(8,872)
Distributions received from investments in joint ventures		7,804	9,220
Changes in operating assets and liabilities:			
Patient accounts receivable		27,112	(17,769)
Other assets		(20,197)	(31,891)
Accounts payable, accrued expenses, and other current liabilities		(107,268)	(45,779)
Estimated amounts due from and to third-party payors		(12,997)	(13,452)
Accrued pension liability		1,679	2,421
Lease obligation, self-insurance and other long-term liabilities		24,709	4,153
Net cash (used in) provided by operating activities		(47,426)	20,838
Cash flows from investing activities:			
Purchases of property, plant, and equipment, net		(83,146)	(97,019)
Proceeds from bond escrow account		36,041	36,184
Proceeds from the sale of investments and assets limited or restricted as to use		10,794	4,163
Purchases of investments and assets limited or restricted as to use		(1,737)	(1,329)
Purchases of trading securities		(1,831,058)	(930,816)
Proceeds from the sale of trading securities		1,949,886	663,230
Investment in joint venture		(98,141)	(4,668)
Net cash used in investing activities		(16,940)	(330,255)
Cash flows from financing activities:			
Repayments of long-term debt		(2,419)	(1,013)
Net cash used in financing activities		(2,419)	(1,013)
Net decrease in cash, cash equivalents, and restricted cash		(66,785)	(310,430)
Cash, cash equivalents, and restricted cash at beginning of year		350,287	355,117
Cash, cash equivalents, and restricted cash at end of period	$	283,502	44,687
Cash and cash equivalents	$	265,580	27,085
Restricted cash included in assets limited or restricted as to use		17,922	17,602
Total cash, cash equivalents, and restricted cash	$	283,502	44,687
Supplemental disclosures of cash flow information:			
Cash paid for interest	$	44,706	36,131
Finance lease obligations incurred		-	19,848
Supplemental disclosure of noncash investing and financing activity:			
Change in noncash acquisitions of property, plant and equipment	$	(7,415)	(45,305)

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, and 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. Significant 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, 2019 and related notes. Information for the three months ended March 31, 2020 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, 2020.

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. All significant 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) Accounting Pronouncements

The Corporation adopted ASU 2016-02, Leases (Topic 842), on January 1 2019. The update required the recognition of right-of-use (ROU) lease assets and liabilities on the consolidated balance sheet and the disclosure of qualitative and quantitative information about leasing arrangements. The Corporation elected the effective date method to adopt this standard. All leases that existed at the effective date were recognized and measured using a modified retrospective approach without restating prior comparative periods. The Corporation elected to utilize the practical expedients made available, including the package of practical expedients to not reassess whether a contract is, or contains, a lease, the lease classification and initial direct costs.

As a result of the adoption, the Corporation recognized ROU assets and lease liabilities of approximately $222 million and $228 million, respectively, as of the transition date.

Under the new standard, the Corporation derecognized its build to suit asset and liability as of the transition date, which resulted in a reduction to net assets without donor restrictions of $2,710 and is included in other changes in unrestricted net assets. The related leases were evaluated under the new guidance and recorded as a finance lease obligation amounting to $19,848.

(3) Revenue

Net Patient Service Revenue

The Corporation’s net patient service revenue is reported 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, third-party payors, and others 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. Generally, performance obligations satisfied over time relate to inpatient services. 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. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Corporation does not believe it is required to provide additional goods or services to the patient.

Because all of it performance obligations related to contracts with a duration of less than one year, the Corporation has elected to apply the option exemption provided in FASB ASC 606-10-50-14a 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 are discharged, which generally occurs within days or weeks of year-end.

The majority of the Corporation's services are rendered to patients with third-party 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 third-party payors typically provide for payments at amounts less than established charges. For further discussion on third-party reimbursement, refer to note 4. 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 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 are based 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, 2020 and 2019. 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, 2020 and 2019, respectively.

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. copays 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 rates. 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 in 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 net 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, 2020 and 2019 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 net patient service revenue by approximately $1,431 and $9,323, respectively, for the three months ended March 31, 2020 and 2019. 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.

Other Revenue

Other revenue includes income from grant revenue, equity in the income of joint ventures, contributions, net assets released from restriction, cafeteria, and parking. 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*. Equity in the income of joint ventures continues to be evaluated under ASC Topic 323, *Investments – Equity Method and Joint Ventures*.

Additionally, pharmacy sales and other contracts related to health care 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 can be reasonably assured.

(4) 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.

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, 2020 and December 31, 2019:

	March 31, 2020				
	Fair value	**Level 1**	**Level 2**	**Level 3**	**NAV**
Available for sale investments:					
Investment categories:					
Cash and cash equivalents and money market funds	$ 78,968	78,968	—	—	—
Equity mutual funds	15,538	15,538			
Fixed income mutual funds	66,812	66,812	—	—	—
Certificates of deposit	2,835	—	2,835	—	—
Corporate bonds	265	—	265	—	—
Total investments available for sale	164,418	161,318	3,100	—	—
Trading investments:					
Investment categories:					
Cash and cash equivalents and money market funds	153,713	153,713	—	—	—
Equity mutual funds	1,008,041	1,008,041			
Fixed income mutual funds	306,606	306,606	—	—	—
Equity securities	243,082	243,082	—	—	—
Unit investment trust	892	892	—	—	—
Commercial mortgage-backed securities	84,276	—	84,276	—	—
Corporate bonds	613,715	—	613,715	—	—
Bond funds	10,804		10,804		
Asset-backed securities	327,329	—	327,329	—	—
Government bonds	144,875	—	144,875	—	—
Government mortgage-backed securities	190,297	—	190,297	—	—
Municipal bonds	43,964	—	43,964	—	—
Alternative investments	681,117	—	—	—	681,117
Total trading investments	3,808,711	1,712,333	1,415,261	—	681,117
Total assets	$ 3,973,130	1,873,652	1,418,361	—	681,117

		December 31, 2019				
		Fair value	**Level 1**	**Level 2**	**Level 3**	**NAV**
Available for sale investments:						
Investment categories:						
Cash and cash equivalents and money market funds	$	104,396	104,396	—	—	—
Equity mutual funds		18,574	18,574			
Fixed income mutual funds		67,832	67,832	—	—	—
Certificates of deposit		2,835	—	2,835	—	—
Corporate bonds		461	—	461	—	—
Total investments available for sale		194,098	190,802	3,296	—	—
Trading investments:						
Investment categories:						
Cash and cash equivalents and money market funds		348,203	348,203	—	—	—
Equity securities		305,765	305,765	—	—	—
Equity mutual funds		1,292,048	1,292,048			
Fixed income mutual funds		336,149	336,149	—	—	—
Unit investment trust		1,029	1,029	—	—	—
Commercial mortgage-backed securities		86,288	—	86,288	—	—
Corporate bonds		529,471	—	529,471	—	—
Asset-backed securities		276,810	—	276,810	—	—
Bond funds		11,350		11,350		
Government bonds		155,768	—	155,768	—	—
Government mortgage-backed securities		165,898	—	165,898	—	—
Municipal bonds		23,292	—	23,292	—	—
Alternative investments		707,045	—	—	—	707,045
Total trading investments		4,239,116	2,283,194	1,248,877	—	707,045
Total assets	$	4,433,214	2,473,996	1,252,173	—	707,045

There were no transfers among Levels 1, 2 and 3 during the three months ended March 31, 2020 and for the year ended December 31, 2019.

There are no financial liabilities reported at fair value.

(5) Long-term debt

Long-term debt consists of the following:

		March 31, 2020	December 31 2019
Revenue and refunding bonds	$	2,174,469	2,174,563
Senior secured notes		300,000	300,000
Notes payable		-	1,112
Capital lease obligations		37,152	38,365
Total long-term debt		2,511,621	2,514,040
Plus unamortized bond premium		121,287	123,530
Less:			
Unamortized bond discount		1,538	1,593
Deferred financing costs, net		16,658	16,937
Current portion		9,710	11,007
Long-term portion	$	2,605,002	2,608,033

Under the terms of the Master Trust Indenture (MTI), Barnabas Health, Inc., Children's Specialized Hospital, Clara Maass Medical Center, Community Medical Center, Jersey City Medical Center, Monmouth Medical Center, Newark Beth Israel Medical Center, RWJ Barnabas Health, Inc., Robert Wood Johnson University Hospital, 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. During 2018, Robert Wood Johnson Health Care Corp. and RWJ Health Care Corp. at Hamilton, which were previously members of the Obligated Group, were dissolved. There were no assets or liabilities at the time of dissolution. 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 revenues 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 October 24, 2019, the Obligated Group issued its taxable bonds, RWJ Barnabas Health Taxable Revenue Bonds, Series 2019 (Series 2019) in the amount of $302,333 as obligations under the MTI. The proceeds of Series 2019 are being used for general corporate purposes and the payment of the costs of issuance.

Concurrent with the issuance of Series 2019, the NJHCFFA issued its Revenue and Refunding bonds, RWJ Barnabas Health Obligated Group Issue, Series 2019A, in the amount of $19,250, and Series 2019B in the amount of $210,830, (collectively Series 2019AB). The proceeds of the Series 2019AB were used to provide funds to finance (i) the refunding or defeasance of (a) Barnabas Health Issue, Series 2011B; (b) RWJ Barnabas Health Obligated Group Issue, Series 2017B; (c) Robert Wood Johnson Health Care Corp. at Hamilton Obligated Group Issue, Series 2002; (d) Robert Wood Johnson University Hospital Issue, Series 2014B; (ii) reimbursement for various capital improvements; and (iii) the payment of the costs of issuance.

As a result of the issuance of Series 2019 and Series 2019AB, the Corporation, as a joint and several member, recorded total debt in the amount of $532,413 and also incurred a loss on extinguishment of debt totaling $164, which is included within nonoperating revenue in the consolidated statement of operations.

On February 3, 2020 the Corporation paid the note payable of $1,112.

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.

On March 31, 2020, the Corporation entered into a secured revolving promissory note (the Note) for the maximum principal amount of $100 million with JPM for routine working capital needs. The terms of the Note include a commitment fee of .08% and a LIBOR spread at .55%. As of May 15, 2020, there were no borrowings under the Note.

(6) 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, 2020 and 2019:

- 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 $20,840 and $19,727 for the three months ended March 31, 2020 and 2019, 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 $1,155 and $1,034 for the three months ended March 31, 2020 and 2019, respectively.

- RWJUH had participated in the PACE Industry Union – Management Pension Fund (the Union Benefit Plan), which is a multiemployer benefit program. RWJUH terminated its participation in the Union Benefit Plan in 2015 and based on the Union Benefit Plan's actuarial calculation, RWJUH was assessed an estimated allocable share of the unfunded vested benefits. At March 31, 2019, the outstanding balance was approximately $51,574. During February 2020, an agreement was reached whereby the outstanding liability was reduced to $38,489. The settlement amount of $38,489 was paid in full on February 28, 2020.

- 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, 2020 and 2019.

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

In2018, the Corporation, Rutgers, the State University of New Jersey (Rutgers) and Rutgers Health Group (RHG) entered into 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 continue to remain as separate and distinct legal entities. The MAA will require 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 has been established for strategic planning and oversight featuring equal representation from the Corporation and Rutgers.

The Corporation has invested $100 million through June 30, 2019. 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, 2020 and 2019, the Corporation made payments to Rutgers in the amounts of $25,302 and $10,159, respectively, related to the

MAA. As of March 31, 2020 and December 31, 2019, the Corporation owed Rutgers $47,606 and $45,744, respectively.

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. No commitments have been entered into as of March 31, 2020; however, the estimated cost will be approximately $750 million.

(8) Potential Affiliations

The Corporation is currently engaged in potential affiliation discussions with Trinitas Regional Medical Center (Trinitas) headquartered in Elizabeth, New Jersey. The Corporation and Trinitas have entered into a Non-disclosure Agreement and a Letter of Intent. The Corporation and CarePoint Health announced on October 22, 2019 that they have entered into a Non-disclosure Agreement and a non-binding Letter of Intent. In addition, the Corporation and Saint Peter's Healthcare System announced on December 16, 2019 that they have entered into a Non-disclosure Agreement and a non-binding Letter of Intent.

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

(9) Subsequent Events

The Corporation's operations are subject to certain significant additional risks regarding the outbreak of COVID 19. On March 11, 2020, the World Health Organization declared COVID 19 a pandemic, and on March 13, 2020, the President declared a national emergency. The federal and state governments, including New Jersey, have imposed strict measures to curtail certain aspects of public life in an effort to contain the virus. Despite these efforts, incidents of COVID 19 infection cases in the United States, the Northeast and in the Corporation's service area have risen sharply throughout March and April 2020.

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 difficult to predict. In addition to the direct impact on the health care industry, financial markets in the United States and globally have recently seen significant declines attributed to COVID 19 concerns and, collectively, these impacts could adversely impact the business, financial condition or results of operations, and, accordingly, may materially impact the financial condition of the Corporation.

Additionally, Congress passed, and the President signed, several bills aimed at easing the financial burden of COVID 19 on the health care community, most notably the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). At this point the Corporation is not able to determine the ultimate impact of the pandemic or the extent the CARES Act or other similar programs will mitigate these impacts.

Management evaluated all events and transactions that occurred after March 31, 2020 and through May 15, 2020. The Corporation did not have any material recognizable subsequent events during the period, except as previously disclosed.

RWJ BARNABAS HEALTH, INC.

Note to Consolidated Financial Statements - Obligated Group

The following financial information as of March 31, 2020 (unaudited) and December 31, 2019 (audited) and for the three months ended March 31, 2020 and 2019 (unaudited) on pages 30 and 31 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, 2020** (unaudited)	**December 31, 2019** (audited)
Current assets:		
Cash and cash equivalents	$ 375,690	780,608
Short-term investments	58,798	43,443
Assets limited or restricted as to use	1,866	37,874
Patient accounts receivable, net	476,281	503,903
Estimated amounts due from third party payors	17,948	6,079
Other current assets	204,177	196,453
Total current assets	1,134,760	1,568,360
Assets limited or restricted as to use, non-current portion	108,934	108,872
Investments	3,637,018	4,072,821
Property, plant and equipment, net	2,168,960	2,156,264
Right-of-use asset	195,888	169,456
Other assets, net	423,544	345,847
Total assets	7,669,104	8,421,620
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	339,819	326,611
Accrued expenses and other current liabilities	520,690	631,548
Estimated amounts due to third party payors	-	-
Long-term debt	12,443	12,629
Lease obligation	28,856	28,561
Due to affiliates, net	214,174	596,076
Self-insurance liabilities	44,744	29,644
Total current liabilities	1,160,726	1,625,069
Estimated amounts due to third party payors, net of current portion	47,027	48,131
Self insurance liabilities, net of current portion	103,498	92,493
Long-term debt, net of current portion	2,541,239	2,544,242
Lease obligation, net of current portion	163,922	137,529
Accrued pension liability	21,554	21,554
Other liabilities	78,098	74,468
Due to affiliates, long term, net	19,813	19,813
Total liabilities	4,135,877	4,563,299
Net assets	3,533,227	3,858,321
Total liabilities and net assets	$ 7,669,104	8,421,620

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, 2020 and 2019

(In thousands)

(Unaudited)

		2020	2019
Revenue:			
Net patient service revenue	$	1,208,440	1,213,519
Other revenue, net		57,896	55,269
Total revenue		1,266,336	1,268,788
Expenses:			
Salaries and wages		503,085	462,693
Physician fees and salaries		131,653	114,220
Employee benefits		106,815	100,635
Supplies		256,487	248,706
Other		235,927	220,276
Interest		25,064	20,911
Depreciation and amortization		59,759	54,560
Total expenses		1,318,790	1,222,001
Income from operations		(52,454)	46,787
Nonoperating (expenses) revenue:			
Investment income, net		(277,871)	211,845
Other, net		(1,654)	(2,197)
Total nonoperating (expenses) revenue, net		(279,525)	209,648
Deficiency (excess) of revenue over expenses		(331,979)	256,435
Other changes in net assets:			
Net change in unrealized gains (losses) on investments		(607)	1
Pension changes other than net periodic benefit cost		1,679	2,421
Net assets released from restriction for purchases of property and equipment		2,780	4,904
Net assets transferred from non-obligated group		9,668	-
Other, net		(6,635)	(7,729)
Decrease (increase) in net assets	$	(325,094)	256,032

See accompanying note to consolidated financial statements - obligated group.