



State of New Jersey
DEPARTMENT OF HEALTH

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TO: Hoboken City Major Ravi S. Bhalla
Hoboken Business Administrator Jason Freeman
Hoboken City Clerk James J. Farina, RMC
Senator Brian P. Stack
Assemblywoman Annette Chaparro
Assemblyman Raj Mukherji

FROM: Robin Ford, Deputy Commissioner
Health Systems Branch
New Jersey Department of Health

DATE: October 20, 2023

SUBJECT: Notice of CarePoint Health's Financial State for Hoboken University Medical Center (HUMC), pursuant to Public Law (P.L.) 2019 chapter 512, which amended P.L. 2008, chapter 58 (C.26:2H-5.1a).

As you may be aware, the New Jersey Department of Health (Department) actively monitors all acute care hospitals in the State for specific indicators to evaluate for financial distress. As part of the Department's responsibility for oversight of health care facilities, State law (P.L. 2019, chapter 512 [C.26: 2H-5.1a]) provides that if the Commissioner determines that a hospital is in financial distress, then the Commissioner may provide notice to the mayors, City Administrators, and other local officials who represent the region in which the hospital is located.

The purpose of this memorandum is to provide notice to the appropriate local officials that CarePoint's HUMC is in financial distress or at risk of being in financial distress based upon the following specific financial indicators pursuant to C.26: 2H-5.1a, which are part of the Department's Early Warning System (EWS):

- 1) days cash-on-hand;
- 2) average daily census;
- 3) days in accounts receivable (AR);
- 4) average payment period;
- 5) operating margin;
- 6) operating margin adjusted to account for fees, allocations, and other business interactions with interested persons as those terms are defined in Internal

Revenue Service Form 990, with the term "interested person" to include owners for the purposes of a for-profit hospital; and

- 7) any other factor which the Commissioner deems appropriate, including failure to provide required or requested financial information.

In addition to concerns related to financial reporting, CarePoint has now requested an advance on its annual Charity Care subsidy payments for HUMC for two State Fiscal Years (SFYs) in a row, citing emergency cash flow and other financial issues. Specifically, last year, on August 31, 2022, the Department received, and in September 2022 approved based upon submitted supporting documentation, a request from CarePoint to advance its remaining SFY 2023 Charity Care subsidy payments for HUMC, which totaled approximately \$9.14 million as several months had already been paid for SFY 2023. Please note that CarePoint also requested and received advances for its other hospital sites in Jersey City and Bayonne as well.

Once again, this year, in mid-April 2023, the Department received a request from Carepoint to advance all of its SFY 2024 Charity Care subsidy payments for HUMC, which totaled approximately \$10.98 million, again citing cashflow and other financial issues. As with SFY 2023, CarePoint's SFY 2024 advance also included requests for its other hospital sites in Jersey City and Bayonne as well. Based upon case flow projections and other documentation provided by CarePoint, the Department approved a partial, six-month advance of SFY 2024 Charity Care payments on July 3, 2023, totaling \$6.4 million. Despite this approval, on August 25, 2023, CarePoint made a subsequent request for the remaining SFY 2024 Charity Care payments, totaling approximately \$4.57 million, which the Department approved on October 10, 2023 based upon updated cashflow projections and additional documentation received from CarePoint.

Since this is the second Charity Care advance request in two consecutive SFYs, the Department continues to have concerns as to CarePoint's long-term plans for sustainability at HUMC and its other hospital sites given that it continues to experience cash flow and other financial issues, which are further evidenced by its own financial reporting as described in more detail below.

At a high-level, CarePoint's HUMC is considered to be of "high concern" with respect to financial distress. The Department would note the following year-to-date EWS metrics through July 2023:

- CarePoint's days cash-on-hand have been consistently low for approximately the past year and have steadily decreased in recent months with HUMC reporting 25.19 days;
- CarePoint's operating margins are all negative and have declined in the past year with HUMC reporting **-14.14%**; and
- CarePoint's days in AR remain high with HUMC reporting 174.18 days.

Please note that the above numbers for HUMC are unaudited and may vary from month to month. However, HUMC, consistent with CarePoint's other two hospital sites, have consistently been reporting data that is concerning to the Department. Additionally,

CarePoint only recently submitted their audited financial statements for CY 2020 and CY 2021 due to internal issues with their audit vendor. Due to the delays with submitting the CY 2020 and CY 2021 audited financial statements, CarePoint is now also behind on submitting its CY 2022 audited financial statements. Further, CarePoint is currently out-of-compliance with various other financial reporting and transparency requirements, including those relating to monthly EWS metrics for 2023, quarterly unaudited financial statements for 2023, and annual public meeting. Moreover, CarePoint is also out-of-compliance with the separate requirement that they publicly post all of this information on their internet website. To this end, the Department has been, and will continue to, work with CarePoint to help them come into compliance on a go-forward basis.

The Department recognizes the impact that the financial status of HUMC and its other two hospital sites may potentially have on the communities in which those hospitals serve. Accordingly, the Department appreciates your time and attention to this matter. Should you have any questions about the contents of this memorandum, and/or requirements under P.L. 2019, chapter 512, please feel free to reach out to the Department at OHCF@doh.nj.gov, or via telephone at (609) 376-0964. Thank you.

Cc: Kaitlan Baston, MD, MSC, DFASAM, Acting Commissioner
Thalia Sirjue, Acting Chief of Staff, Office of the Commissioner
Erica Holmes, Executive Director, Office of Health Care Financing
Stefanie Mozgai, Assistant Commissioner, Division of Certificate Need and Licensing
Pamela Lebak, Assistant Commissioner, Health Facilities Survey and Field Operations