



Statement of:

Bridget Devane

HPAE Public Policy Director

Monday, October 30, 2017

As the state's largest healthcare union HPAE represents 13,000 nurses and healthcare professionals, including nearly 2,000 workers employed by the Hackensack-Meridian Health System. The Hackensack Meridian system is already one of the largest hospital networks in New Jersey, and the addition of JFK Health and JFK Medical Center would increase the total number of hospitals in the system to 15. We make our comments today to bring attention to information provided to the Office of the Attorney General (AG) that impacts the employees and patients of both Hackensack Meridian and JFK Health.

Through the Community Health Care Assets Protection Act, the Office of the Attorney General is obligated to ensure that the health care assets of the communities served by JFK Health are protected in this transaction and will continue to operate for community benefit (N.J. Stat. § 26:2H-7.11). One important point of consideration for the AG's office relates to control of the health care assets in question. Specifically, the office is to consider whether the board members and executives of JFK Health and Hackensack Meridian have sufficiently disclosed any conflicts of interest relevant to the merger (N.J. Stat. § 26:2H-7.11(c.4)).

JFK Health and JFK Medical Center are governed by a board of directors comprised mostly of medical professionals. A review of conflict of interest certifications provided by the JFK board as part of the CHAPA procedure showed no conflict or connection to Hackensack Meridian other than one member's son working for a contractor that does business with HMH on occasion, and two members who also serve on an HMH affiliate board. Additional due diligence by HPAE did not uncover any internal conflicts of interest between the JFK board and its vendors or employees.

JFK Health appears to have fully complied with the CHAPA requirements concerning conflicts of interest, and the resulting documentation does not raise notable concerns in this area. However, the CHAPA process does not require similar disclosure from the acquiring entity, in this case Hackensack-Meridian. While officially outside of the review process, we feel that these additional disclosures would be extremely relevant to the proceedings, are of concern for patients and caregivers who utilize services



Health Professionals and Allied Employees

HPAE/AFT/AFL-CIO

110 Kinderkamack Road
Emerson, NJ 07630

TEL 201-262-5005

FAX 201-262-4335



www.hpae.org

 www.facebook.com/hpae.aft

provided in these healthcare facilities, and we encourage the Attorney General's office to consider the following details, as reported in news media.

Unlike JFK Health, the board and executives of Hackensack-Meridian have a history marked by a scandal that predates the 2016 merger between Hackensack University Medical Center and Meridian Healthcare.

In 2009, former State Senator Joseph Coniglio was convicted of mail fraud and extortion, and was sentenced to federal prison. The charges stemmed from Coniglio's employment at Hackensack University Medical Center. Coniglio was paid \$103,900 between May 2004 and February 2006 for a low-show "community relations" job. The prosecution argued that, in exchange for this job, Coniglio used his political position to steer additional funding to Hackensack University Medical Center. From 2004 to 2006, the hospital received \$17.4 million for its cancer center, an extra \$9 million in charity care above the millions it was already getting and \$250,000 for the Joseph M. Sanzari Children's Hospital. A \$900,000 research grant was awarded to the private stem cell firm at the hospital and \$70,000 went for a seat belt study.

Court testimony indicates that the decision to hire Coniglio was made by executives with input from several board members, two of whom who currently serve on the Hackensack Meridian board. Moreover, further reporting on the Coniglio scandal by The Record revealed that the senator was not the only one using his influence for self-enrichment. Several Hackensack University Medical Center executives, including current Hackensack Meridian co-chair and CEO Robert Garrett, and board members, three of whom currently serve on the Hackensack Meridian board, were revealed to have steered hospital funds to their private interests.

For example, in its 2007 tax returns, HUMC reported paying more than \$2 million to a private stem cell research company owned in part by a group that included HUMC President and CEO John Ferguson, board member Peter C. Gerhard, and Robert Garrett, who served as COO of HUMC at the time. Gerhard currently serves on the Hackensack Meridian Board of Trustees.

HUMC also reported contracting with companies owned by board members Joseph Sanzari and J. Fletcher Creamer as part of a large construction project. Creamer was paid more than \$475,000 by the hospital for construction services. Both Creamer and Fletcher currently serve on the Hackensack Meridian Board of Trustees.

In the wake of Sen. Coniglio's indictment and subsequent revelations in the press, Hackensack retained two leading international law firms to review its governance policies in an effort to avoid similar issues going forward. However, it's unclear what the results of this review accomplished. Ten years later four of the key players in a major scandal involving the hospital are still a part of the newly formed Hackensack Meridian system in positions of major influence and power. Several of the HUMC board members singled out for steering hospital revenues to their private interests continued to do so in the following years, and retained their positions even after the system's merger with Meridian in 2016.

JFK Medical Center is a community hospital. It was founded in the 1967 in response to a grassroots campaign demanding increased health care services for the growing populations of Edison and its neighboring communities. The members of its board of directors have a duty to ensure that the hospital maintain provision of adequate services, and given the conflict of interest disclosures, appear to do so without seeking personal enrichment. The same cannot be said of all members of the Hackensack-Meridian board of directors.

As part of the merger, the JFK Medical Center board will effectively cease to exist within 5 years, and its control of the hospital will be transferred to the Hackensack-Meridian Board of Trustees.

The CHAPA law was created to create an open and public process giving the community the opportunity to intervene. Unfortunately, from our perspective there are limitations within the CHAPA law, as the statute only requires transparency yet the AG should have the authority to place conditions on board of directors to protect the interests of the community to ensure that the interests of the community are a top priority not the business interests of hospital board members.