

Minutes of the New Jersey Health Care Facilities Financing Authority regular Meeting held on January 25, 2024 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following *Authority Members* were in attendance:

Via Microsoft Teams: David Brown, Public Member (Chairing); Robin Ford, Designee of the Commissioner of Health; Greg Lovell, Designee of the Commissioner of Human Services; Manny Paulino, Designee of the Commissioner of Banking and Insurance, Tom Sullivan and Bridget Devane, Public Members (both joining later in the meeting).

The following *Authority staff members* were in attendance:

Frank Troy, Cindy Kline, Alpa Patel, Taryn Rommell, Bill McLaughlin, Edwin Fuentes, Jeff Solimando, Ron Marmelstein, Jose Lora and John Johnson (on-site) and via telephone: Tracey Cameron.

The following *representatives from the State and/or the public* were in attendance:

Stephanie Gibson, Attorney General's Office and Samuel Kovach-Orr, Governor's Authorities Unit (on-site), Noah Glyn and Carrie Camp, NJDOH, Tamara Cunningham (RWJ Barnabas), and Kyle Barkett of Sibert Williams, Shank (via Teams)

CALL TO ORDER

Mr. Brown called the meeting to order at 10:06 a.m. and announced that this was a regular Meeting of the Authority, held in accordance with the schedule adopted at the May 25, 2023 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was mailed to The Star-Ledger, the Courier Post, and provided to numerous other newspapers and media outlets serving New Jersey, early enough to publish an announcement at least 48 hours in advance of this meeting.

Mr. Brown reminded Members on the phone to identify themselves before making or seconding a motion.

1. APPROVAL OF MINUTES December 14, 2023 Authority Meeting

Minutes for the Authority's December 14, 2023 Meeting were distributed for review and approval prior to the meeting. Mr. Brown asked for a motion to approve the minutes. Mr. Lovell made the motion. Ms. Ford seconded. Mr. Brown asked if there were any questions or comments on the motion. Mr. Brown also reminded members that only those who attended the meeting or have

familiarized themselves with the minutes should vote. There were no questions or comments. Mr. Brown called for a vote. All Members voted in the affirmative.

2. APPROVAL OF TRUIST SECURITIES, INC., AS AN ADDITION TO THE AUTHORITY'S APPROVED BANKERS LIST

Mr. Brown called upon Bill McLaughlin to present Truist Securities, Inc.'s request to be added to the Authority's list of approved bankers.

Mr. McLaughlin thanked Mr. Brown and began his presentation by stating the Authority was presented with a request by Truist Securities, Inc. ("Truist") to modify the list of approved bankers in order to allow the firm to serve as remarketing agent, placement agent, senior managing underwriter and a co-managing underwriter for Authority transactions.

Mr. McLaughlin further explained that Truist has completed the Authority's Request for Qualifications and is qualified to serve in the requested capacities. The firm has reported net excess capitalization of over \$52.3 billion. If approved, our primary contact will be Managing Director Matthew Callaghan who works out of the firm's Baltimore, Maryland Office.

Mr. McLaughlin concluded by saying that based on the information provided, Truist has demonstrated that it is qualified under the Authority's standards to serve in each role requested. Therefore, staff recommends approving the requested modification that allows for Truist Securities, Inc., to serve as remarketing agent, placement agent, senior managing underwriter and co-managing underwriter for Authority transactions.

Mr. Brown thanked Mr. McLaughlin and then asked Members for a motion to approve a resolution for Truist Securities, Inc. approval to be added to the Authority's approved bankers list to serve as remarketing agent, placement agent, senior managing underwriter and a co-managing underwriter for Authority transactions. Mr. Paulino made the motion and Mr. Lovell seconded. Mr. Brown asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown called for a vote. All Members voted in the affirmative.

AB RESOLUTION NO. 2024-1-A

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves Truist Securities Inc. to be added to the Authority's Qualified Bankers List as remarketing agent, placement agent, senior managing underwriter, and co-managing underwriter.

3. 2024 DEBT MANAGEMENT PLAN

Mr. Brown asked Bill McLaughlin to present the Authority's 2024 Debt Management Plan to the Members.

Mr. McLaughlin thanked Mr. Brown and informed the Members that under Executive Order No. 26 (Gov. Whitman) the Authority is required to prepare an annual debt management plan and submit it to the Treasurer. The Debt Management Plan for 2024, which has been distributed to the Members, reflects financings which were completed during 2023 and identifies three bond financings that are anticipated for 2024, along with a description of each project, the anticipated issue size, security, expected ratings and proposed method of sale.

Mr. McLaughlin further advised Members there is no anticipated activity for either the Master Lease Program, Composite Program or the Equipment Revenue Note Program.

He stated that finally, the proposed plan excludes Capital Asset Program (CAP) loans, since these transactions do not involve the issuance of new debt.

Mr. McLaughlin concluded by saying as in prior years, the total volume for 2024 is subject to change, depending upon market conditions and borrower's preferences. He then asked members for approval of the proposed plan and authorization to submit it to the Treasurer.

Mr. Brown asked for a motion to adopt the Authority's 2024 Debt Management Plan and submit it to the Treasurer under the requirements of Executive Order No. 26 (Gov. Whitman). Mr. Lovell made the motion. Ms. Devane seconded. Mr. Brown asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. 2024-1-B

WHEREAS, the Members of the Authority have reviewed the memorandum dated January 17, 2024 regarding the 2024 Debt Management Plan.

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a motion to adopt the proposed 2024 Debt Management Plan and submit it to the State Treasurer in accordance with the requirements of Executive Order No. 26 (Gov. Whitman).

4. AUTHORITY EXPENDITURES

Mr. Brown referenced a summary of Authority expenses and invoices provided to the Members. Mr. Sullivan made the motion to approve the expenses. Ms. Ford seconded. Mr. Brown asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown then called for a vote. All Members voted in the affirmative. The resolution was approved to approve the bills and to authorize their payment.

AB RESOLUTION NO. 2024-1-C

WHEREAS, the Members of the Authority have reviewed the memoranda dated January 17, 2024 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amount of \$26,626.00 and \$109,770.00, respectively, and have found such expenses to be appropriate;

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby approve all expenses as submitted, and authorize the execution of checks representing the payment thereof.

5. STAFF REPORTS

Mr. Brown thanked staff and then asked Executive Director Frank Troy to present his Executive Director's report.

Mr. Troy thanked Mr. Brown and reported the following:

1. In June of 2007 the Authority adopted Resolution No. HH-28 which lowered certain Authority fees but created an automatic annual adjustment to the amount of bonds that would be subject to the Authority's initial fees and annual fees (the "fee cap"). The resolution called for the adjustment of the fee cap based on the change in the average of the Consumer Price Index for all Urban Consumers ("CPI-U") in the New York City and Philadelphia regions. For the twelve-month period ending December 31, 2023, the CPI-U in the New York City region increased 2.9% and in the Philadelphia region prices increased 3.9%, for an average increase of 3.4%. Therefore, with rounding, the initial fee of 2.5 basis points will now be collected on the first \$121,400,000 in bonds issued by the Authority or

a maximum of \$30,350, an increase of \$1,000. Per series fees shall continue to be \$10,000 for each series.

2. According to the unaudited year-end numbers, the Authority's 2023 revenues came in at \$4,504,881 which was 4% above budget and 2% above 2022 revenues. The Authority's 2023 expenses came in at \$3,334,759, which was 19% below budget and 7% above 2022 expenses. The Authority's receipts over disbursements came in at \$1,170,123, which is \$942,540 above budget and \$132,851 less than 2022.
3. Village Drive Healthcare Urban Renewal, LLC ("Village Drive"), a low income assisted living facility in Millville financed in part by Authority bonds, continues to be in violation of several debt covenants including failure to pay principal and interest due bondholders on October 1, 2023, failure to make required monthly debt service fund deposits, failure to achieve a debt service coverage ratio of at least 1.00 for the year ended December 31, 2022 and failure to maintain a Lease-up Reserve of \$300,000 as of December 31, 2023. To date, the bondholders have instructed the Trustee to take no action.

4. New Jersey Hospital News

- a) Despite recent reports of increased scrutiny by the Federal Trade Commission and the Department of Justice, several mergers and acquisitions involving New Jersey hospitals were announced. All are subject to regulatory approval. After years of competition and lawsuits, CarePoint Health Systems ("CarePoint") and Hudson Regional Hospital ("HRH") announced a plan to merge and create Hudson Health System. Yan Moshe, principal owner of HRH in Secaucus, would be chairman of the new entity and Dr. Achintya Moulick, CEO of CarePoint, would serve as president and CEO. CarePoint currently operates three hospitals in Hudson County – Bayonne Medical Center, Christ Hospital in Jersey City and Hoboken University Medical Center and recently made the news for its financial struggles. The New Jersey Department of Health recently appointed Robert Iannaccone, an experienced health care executive, as monitor of CarePoint.
- b) The University of Pennsylvania Health System ("UPenn"), parent of Princeton Medical Center, announced the signing of a letter of intent to acquire Doylestown Health based in Bucks County PA. If approved, UPenn would become an eight hospital system.
- c) Jefferson Health, the parent of the former Kennedy Health System, and Lehigh Valley Health Network ("Lehigh") announced plans to merge creating a system with thirty hospitals and 62,000 employees. Lehigh is based in Allentown, Pennsylvania.
- d) CentraState Healthcare System ("CentraState"), an affiliate of Atlantic Health System, announced that FellowshipLIFE, a not-for-profit aging services provider in Basking Ridge, would acquire CentraState's Applewood, a life plan community in Freehold.
- e) Capital Health faces a class action suit stemming from a December 2023 data breach by the LockBit 3.0 ransomware gang. Despite internal gang rules prohibiting attacks

on hospitals, LockBit 3.0 continues to target hospitals in the U.S. and Canada. The hackers have said that they only stole Capital Health data, they did not encrypt it so as not to interfere with patient care.

- f) Valley Health System (“Valley”) named Dr. Robert Brenner president. Dr. Brenner will report to CEO Audrey Meyers and will oversee all operational areas of the system. Valley also promoted Karteek Bhavsar to the position of senior vice president and chief operating officer.
- g) Hackensack Meridian Health (“HMH”) announced Keith Banks, a Bank of America executive, will serve as chair of the board of trustees. Mr. Banks has been providing service to the board of HMH and its predecessor organizations since 2015.
- h) Nurses at Cooperman Barnabas Medical Center in Livingston ratified a new, three year contract in December, 2023. The nurses are represented by CWA 1091. Terms were not disclosed.
- i) A number of “Top Hospital” lists including New Jersey facilities were included in the articles distributed yesterday.

4. Ratings Agency Actions and Publications

- a) S&P Global Ratings (“S&P”) released its 2024 U.S. Not-For-Profit Acute Care Outlook. S&P’s outlook for the sector remains Negative as the industry continues to struggle with labor and other expense pressures. Another issue mentioned was payor rate increases not keeping up with expense inflation. S&P’s current percentage of individual negative outlooks is the highest in the past ten years.
- b) Moody’s Investor Service most recent Sector Comment also noted low operating margins, elevated labor costs and strained relationships with payors due to increased denials and payment delays.
- c) There are no ratings actions to report.

5. New Jersey Health Care News

- a) Acting Commissioner of Health and Authority Chair Dr. Kaitlan Baston was number 18 of 100 on Insider NJ’s Millennials 2023 list.
- b) A NJ Spotlight News article included in your materials looks at nurse-patient staffing ratios from a number of perspectives including a State Senator, nurses and hospital management. Staffing has received a significant amount of attention as a result of the lengthy strike against Robert Wood Johnson University Hospital in New Brunswick.
- c) Governor Murphy signed the Doula Access Bill (S-4119/A-5739) which ensures every mother has the right to a doula in a hospital or birth center. Under the bill, hospitals and birthing centers must develop and maintain policies that allow doulas to accompany patients before, during, and after labor and childbirth.

- d) State Senator Joe Vitale, chair of the Senate Health, Human Services and Senior Citizens Committee, introduced bill S-4254 that would require hospitals to post prices online which would replicate federal hospital price transparency rules at the State level.
- e) Joseph Schwartz of Suffern, NY, the owner of 95 nursing homes in 11 states including New Jersey who gained notoriety by having an office above a pizza shop in Wood-Ridge, admitted to orchestrating a \$38 million tax fraud scheme. Mr. Schwartz pleaded guilty to failing to remit employment taxes withheld from employees of his company.

6. National Health Care News

- a) The December 2023 Kaufman Hall National Hospital Flash Report reported continued improvement in operating margins but noted the gap between high and low performers was quite wide.
- b) In her most recent blog, Lisa Goldstein of Kaufman Hall notes the significant increase in not-for-profit health care ratings downgrades in 2023 and predicts a similar scenario in 2024.
- c) A Fierce Healthcare article noted key trends identified at the recent J.P. Morgan Healthcare Conference. Among them is not-for-profit systems pursuing a “payvider” strategy. One of the drivers of the proposed Jefferson Health-Lehigh Valley Health Network merger mentioned earlier is the opportunity to increase the Jefferson health plan’s covered lives. I heard Jefferson CEO Joe Cacchione speak at a HFMA event last year and he believes whoever owns the premium will make the money in healthcare. Another not-for-profit trend will be growth in outpatient networks. Finally, look for health systems to align with academic partners to help address workforce issues.
- d) Becker’s Hospital Review also published a list of 2024 trends and issues. One of the more striking was the growth in the size of the payors – the largest payors are 10 times the size of the largest health systems. Hospitals can clearly be at a disadvantage with respect to negotiating rates and appealing denials.
- e) According to the American Hospital Association, Medicare payments hit record lows in 2022 with Medicare paying \$0.82 for every dollar spent on treating Medicare patients resulting in a \$99 billion shortfall.
- f) In other Medicare news, the congressional advisory group, MedPAC, estimated the federal government could pay Medicare Advantage (“MA”) plans \$88 billion more this year than it would if those patients were enrolled in the traditional Medicare Part A. According to MedPAC, MA plans attract healthier and therefore lower cost individuals and use aggressive coding to maximize reimbursement.
- g) A Stateline.org article examines the impact of private equity on health care and the ways states are responding.

- h) Also included in yesterday’s articles are health care median salaries, the latest in the Healthcare Financial Management Association’s (“HFMA”) Healthcare 2030 series, the HFMA’s “10 Keys to Restoring Trust in Healthcare” and AMN Healthcare’s “Healthcare Leadership Trends for 2024”.

7. Bond and Tax Legislation and Regulatory News

According to Bloomberg, hospitals are back in the municipal bond market with almost \$2 billion in bonds issued as of January 12, 2024. Total January 2023 issuance was \$391 million.

8. Other News

None

9. Authority News

A reminder the next Authority meeting will be Thursday, February 22, 2024.

6. ADJOURN

Mr. Brown thanked Mr. Troy for his report.

As there was no further business, Mr. Brown asked for a motion to adjourn. Mr. Paulino made the motion and Ms. Ford seconded. All Members voted in the affirmative. The meeting was adjourned at 10:26 a.m.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY MEETING HELD ON JANUARY 25, 2024

Cindy Kline, Assistant Secretary