

These are the Minutes of the New Jersey Health Care Facilities Financing Authority's regular Meeting held on June 27, 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); Noah Glyn, Designee of the Department of Health; Manny Paulino, Designee of the Commissioner of Banking and Insurance; Bridget Devane and Thomas Sullivan, Public Members; On-site: Greg Lovell, Designee of the Commissioner of Human Services

The following ***Authority staff members*** were in attendance:

On-Site: Frank Troy, Cindy Kline, Ron Marmelstein, Edwin Fuentes, Jeff Solimando, Taryn Rommell, and Alpa Patel, Via phone: Tracey Cameron

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

On-site: Stephanie Gibson, Attorney General's Office; Samuel Kovach-Orr, Governor's Authorities Unit; via Microsoft Teams: Carrie Camp, NJDOH; Bill Pelino, Senior Vice President / Chief Financial Officer and Ryan Waddington, Vice President of Finance, Inspira Health Network; and Tamara Cunningham, RWJBarnabas Health

CALL TO ORDER

Mr. Brown called the meeting to order at 10:04 a.m., and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 23, 2024, Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, a 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 then called on Jeff Solimando, the Authority's communications specialist, to call the roll and establish attendance.

After establishing quorum, Mr. Brown began by reminding Members on the phone to identify themselves before making or seconding a motion.

1. APPROVAL OF MINUTES

- May 23, 2024 Authority Meeting

The Minutes for the Authority's last regular meeting held on May 23, 2024, were distributed for Member review and approval prior to today's meeting.

Mr. Brown then asked for a motion to approve the May 23, 2024 Minutes. Mr. Sullivan made the motion. Mr. Paulino seconded. Mr. Brown confirmed who made the motion and who seconded it and then 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, and the motion was approved.

Before moving on to the second item on the agenda, Mr. Brown advised Members that Mr. Troy will give a brief statement.

Mr. Troy thanked Mr. Brown and advised Members that Ms. Devane sent in a statement stating a conflict of interest and is recusing herself from all matters relating to the Inspira Health Obligated Group transaction, and that she asked the Authority to refrain from forwarding any materials related to the matter. Mr. Troy stated that this recusal will remain in effect until it is rescinded and thanked Ms. Devane for her transparency and her approach to serving as a Member of this Authority.

2. INFORMATIONAL PRESENTATION

- Inspira Health Obligated Group

Mr. Brown called on Edwin Fuentes to give an informational presentation on the proposed financing of Inspira Health Obligated Group.

Mr. Fuentes thanked Mr. Brown and began by introducing Inspira Health representatives Bill Pelino, Senior Vice President and Chief Financial Officer and Ryan Waddington, Vice President of Finance who joined the meeting virtually.

Mr. Fuentes reminded Members that Inspira Health Network, Inc. is a tax-exempt health care organization functioning as the parent corporation of Inspira Medical Centers, Inc. Inspira Medical Centers, Inc. is comprised of four acute care hospitals in Vineland, Mannington, Elmer, and Mullica Hill, New Jersey, two comprehensive cancer centers, eight multi-specialty health centers and in total, more than 200 access points throughout the region. Inspira's service area covers more than 2,000 square miles of southern New Jersey. Inspira serves all of Cumberland, Salem, and Gloucester counties, as well as portions of Camden and Atlantic Counties.

Mr. Fuentes stated that per the audited financial information for Inspira Medical Centers, Inc. (the "Medical Centers") provided in the meeting materials, revenues over expenses was \$40.53 million in 2023, a significant increase from the previous year. The Medical Centers had 259.86 days cash on hand, more than double the statewide median of 122.41. The operating margin increased to 1.28 in 2023, increasing from the previous year. The Medical Center's debt service coverage was 4.93, above the statewide median of 4.06.

According to Mr. Fuentes, per the Medical Center's quarterly inpatient utilization reports, licensed beds increased to 757, inpatient days increased by 10.7%, and inpatient admissions increased by 11.2%. This was due to the addition of Salem Medical Center to the health system. There was also a slight decrease in average length of stay from the previous year.

Mr. Fuentes stated that currently, Inspira has three series of bonds outstanding with this Authority: the Inspira Health Obligated Group Issue, Series 2016A Refunding Bonds; the Series 2017A Revenue Bonds; and the Series 2017B Revenue Bonds. Total Authority debt outstanding on behalf of Inspira is approximately \$437.7 million.

Mr. Fuentes advised that Inspira's long term debt is currently rated AA- by Fitch and A2 by Moody's. Inspira will be seeking credit ratings in connection with the proposed financing.

Mr. Fuentes further reminded Members that they may recall approving Inspira's request to use a negotiated form of sale at last month's meeting. Inspira has selected JP Morgan Securities as the senior underwriter for the transaction. The Attorney General's Office has assigned John Kelly of Wilentz, Goldman & Spitzer, P.A. to serve as Bond Counsel on this transaction.

According to Mr. Fuentes, it is expected that Inspira will request a contingent sale of tax-exempt bonds at our July Authority meeting in an aggregate principal amount not to exceed a total of \$275 million.

Mr. Fuentes concluded his presentation by stating no action is required and then introduced Mr. Waddington from Inspira to speak on the project being financed through the proceeds of this transaction. Mr. Fuentes advised Members that if they have any questions, either Mr. Waddington, Mr. Pelino or he would be happy to address them.

Mr. Waddington thanked Mr. Fuentes and wished Members a good morning.

Mr. Waddington advised Members that the bond proceeds associated with this issuance are for two major items, both revolving around the needs of our care areas and primary service areas, specifically in Gloucester County and Mullica Hill.

Mr. Waddington stated that the major piece is a five-story tower expansion at Mullica Hill that will allow additional capacity. Currently, this facility operates at an occupancy rate of eighty percent.

Mr. Waddington continued by saying that they are looking to expand their maternal child health as births continue to increase, pushing it to fifteen hundred in 2024 and continuing to increase in future years.

Mr. Waddington said that as part of this issuance, he's also looking to refinance or evaluate the variable debt associated with the 2017B funding and that they're also looking at mental health and emergency department services in their Woodbury and Bridgeton ambulatory facilities as potential opportunities.

Mr. Brown asked if there were any questions, which there were none.

Mr. Brown thanked Mr. Fuentes and Mr. Waddington for their presentations and then reminded Members that this presentation was for information only and no action is required at this time.

3. APPOINTMENT OF CO-MANAGERS

- Inspira Health Obligated Group

Mr. Brown called on Edwin Fuentes once again to present a request to appoint co-managers for the Inspira Health Obligated Group transaction.

Mr. Fuentes thanked Mr. Brown and began by advising Members that Inspira Health Obligated Group (the “Borrower”) has notified this Authority that they have completed a competitive process and selected J.P. Morgan Securities to serve as their senior managing underwriter for the proposed bond issuances.

Mr. Fuentes reminded Members that under current policy, co-managing underwriter assignments are awarded on a rotational basis that will consider the firms’ demonstrated ability to distribute New Jersey securities of comparable credit quality, capital sufficiency and borrower preference.

Mr. Fuentes stated that given the expected par amount of \$220 million for the Series A public financing, staff is recommending the assignment of four co-managers. Staff supports the Borrower’s recommended appointment of Bank of America Securities and TD Securities as co-managing underwriters and proposes adding Academy Securities and Ramirez & Co. to the transaction as co-managing underwriters.

Mr. Fuentes concluded by stating that each firm has been qualified by this Authority to serve in the role of co-managing underwriter, has demonstrated the ability to distribute New Jersey securities and has sufficient capital to participate in the transaction. Therefore, staff is requesting the Members approval to name Bank of America Securities, TD Securities, Academy Securities and Ramirez & Co. as co-managing underwriters for the proposed Inspira Health Obligated Group Series 2024A bond issuance.

Mr. Brown thanked Mr. Fuentes for his presentation and then asked if the Members had any questions, to which there were none. Mr. Brown asked for a motion to adopt the resolution appointing Bank of America Securities, TD Securities, Ramirez & Co., and Academy Securities as co-managing underwriters for the Inspira Health Obligated Group transaction. Mr. Glyn made the motion. Mr. Lovell seconded. Mr. Brown confirmed who made the motion and who seconded it and then 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, and the motion was approved.

AB RESOLUTION NO. 2024-6-A

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution appointing Bank of America Securities, TD Securities, Ramirez & Co., and Academy Securities as co-managing underwriters for the Inspira Health Obligated Group transaction.

4. AUTHORITY EXPENDITURES

Mr. Brown referenced a summary of Authority expenses and invoices provided to the Members and asked if there were any questions or comments on the material distributed. Mr. Brown then asked for a motion to approve the bills and authorize payment. Mr. Sullivan made the motion to approve the expenses. Mr. Lovell seconded. Mr. Brown confirmed who made the motion and who seconded it and then 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 was approved. The resolution was approved to approve the bills and to authorize their payment.

AB RESOLUTION NO. 2024-6-B

WHEREAS, the Members of the Authority have reviewed the memoranda dated June 19, 2024, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and the memorandum dated June 19, 2024 summarizing general operating expenses, in the amounts of \$22,578.00 and \$65,825.56, 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 announced that in the chat, the Inspira representatives asked if they could be excused. Mr. Brown excused Mr. Pelino and Mr. Waddington. Mr. Brown then asked Executive Director Frank Troy to present his Executive Director's report.

Mr. Troy reported the following:

1. I would like to officially welcome the 2024-2025 officers and committee members. Thank you for your continued support of the Authority.
2. New Jersey Hospital News
 - a) The Department of Health has approved and licensed Holy Name Medical Center to operate a Level III neonatal intensive care unit ("NICU"), an upgrade from its previous status as a Level II special care nursery. The new NICU will have eight beds and is slated to open later this summer.
 - b) Three New Jersey hospitals recently reached agreements with the Health Professionals & Allied Employees union (the "HPAE") averting strikes. The deals reached with Palisades Medical Center, Englewood Health and Cooper University Medical Center

were called "historic and groundbreaking" in terms of "protecting patients and respecting health care workers" by HPAE officials. The agreements included increased staffing levels as well as increased wages.

- c) Hackensack Meridian Health ("HMH") reached a multi-year agreement with commercial insurer Aetna. The contract was reached before the expiration of the current agreement and keeps HMH "in-network".
- d) In other HMH news, a \$40 million expansion at the Carrier Clinic in Belle Mead got underway which will enable the clinic to treat patients as young as seven years of age. Carrier currently treats patients twelve years old and older. The project includes 52 pediatric and adolescent beds and is being financed in part by State funds and private donations.
- e) The Hackensack Meridian School of Medicine recently graduated 102 students, the largest in its history. The inaugural graduating class in 2021 totaled 18. Fifty of the students will complete their first year of residency in New Jersey.
- f) RWJBarnabas Health officials announced that the multidisciplinary standalone cancer center now under construction on the system's Livingston campus will be known as the Melchiorre Cancer Center at Cooperman Barnabas Medical Center. The Melchiorre family recently made a very generous \$30 million donation for the Center.
- g) A Hudson County Superior Court judge recently ruled against Hudson Regional Hospital ("Hudson") which asked the Court to dissolve an agreement between CarePoint Health and Midwest hospital network Insight and enforce the terms of a letter of intent signed by the two parties earlier this year. Hudson and CarePoint Health are also in litigation in the Delaware Chancery Court.
- h) Atlantic Health System ("AHS") and St. Peter's Healthcare System ("St. Peter's") have signed a definitive agreement to expand their strategic partnership. Saint Peter's will join AHS, which will become the sole corporate member of Saint Peter's. The two parties signed a letter of intent in January 2024 and will continue to work toward securing federal, state and church approvals.

3. Ratings Agency Actions and Publications

- a) Fitch Ratings' ("Fitch") recent Wire noted efforts by states to curb the growth of health care costs could weaken not-for-profit hospital finances. Caps or benchmarks limiting increases in charges to patients and payors could have a negative credit effect as they compress revenue and reduce margins, particularly in a period of escalating operating costs such as the one we are currently in.
- b) Moody's Ratings ("Moody's") affirmed AHS' Aa3 rating, which is equivalent to AA-, rating citing strong cash flow and liquidity and a favorable market position. The

proposed merger with Saint Peter's was not considered in Moody's analysis. The outlook is Stable.

- c) S&P Global affirmed its BBB- rating on Authority debt issued on behalf of St. Joseph's Health. The outlook is Stable. St. Joseph's Health is rated the equivalent Baa3 by Moody's, also with a Stable outlook.

4. New Jersey Health Care News

- a) State Senator Joseph Cryan and Assemblywoman Verlina Reynolds-Jackson recently wrote an opinion piece stating hospital spending is the largest component of New Jersey's health costs, and the fastest growing. They are supporting an increase in funding for the Office of Health Care Affordability and Transparency in the State's fiscal 2025 budget.
- b) The New Jersey Hospital Association will honor health care heroes at the 2024 Best at the Beach event in July. Among those to be honored will be Valley Health System CEO Audrey Meyers for Lifetime Achievement and Warren Geller, CEO and president of Englewood Health, who will receive a Distinguished Service Award.

5. National Health Care News

- a) The State Department has essentially frozen foreign nurse visas for the rest of the federal fiscal year despite high demand, and health groups are warning it threatens to further a staffing strain on hospitals, nursing homes and other major health employers. The agency announced in its July Visa Bulletin that nearly all the available green card slots for which nurses are eligible had been filled. Only people who applied prior to Dec. 1, 2021, would be eligible to continue with visa interviews, even if an applicant already had a job offer in the U.S. Foreign nurses comprise about 15 percent of the nursing workforce nationally.
- b) A record number of Americans with healthcare coverage and their increased use of medical services post pandemic is expected to spur U.S. health spending to \$4.8 trillion in 2023 according to the Centers for Medicare & Medicaid Services ("CMS"). CMS noted health spending accounted for 17.6% of the Gross Domestic Product last year.
- c) Senator Elizabeth Warren announced the proposed Corporate Crimes Against Health Care Bill. This new legislation would empower state Attorneys General and the U.S. Attorney General to claw back funds and impose civil and, in some cases, criminal penalties on private equity ("PE") firms whose "financial engineering activities" drive health care organizations into financial distress. The legislation would also prohibit federal health programs from making payments to hospitals and other health organizations that sell assets to a real estate investment trust, a common strategy used by PE firms.
- d) The proposed rule from the Consumer Financial Protection Bureau which would curtail the inclusion of medical debt in credit evaluations, could impact health care billing and collections processes. While well-intentioned, the industry believes some patients may

be less motivated to pay their bills. Providers may place renewed emphasis on up-front collections and deny non-emergent services for patients with outstanding balances. An industry insider suggested the process for hospitals could be no different than the dentist's office.

- e) The Change Healthcare cyberattack, which affected cash flow for thousands of providers, may also directly affect individuals. The attack may have exposed data like medical information, payment details and Social Security numbers for a potentially huge number of Americans. The UnitedHealth subsidiary began notifying its customers if their members' or patients' data was exposed according to a data breach notification. Change plans to send letters to those affected in late July, though the company noted it may not have addresses for everyone.

6. Bond and Tax Legislation and Regulatory News

None

7. Other News

Former New Jersey Deputy Commissioner of Health Robin Ford asked me to convey her thanks for the Resolution of Appreciation approved at the May meeting.

8. Authority News

The next Authority meeting will be Thursday, July 25, 2024 at 10:00AM. Have a safe and happy 4th of July.

6. ADJOURN

As there was no further business, Mr. Brown asked for a motion to adjourn. Mr. Sullivan made the motion and Mr. Lovell seconded. Mr. Brown confirmed who made the motion and who seconded it and then 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. After Mr. Brown wished everyone a safe and happy July 4th holiday, the meeting was adjourned at 10:25 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 JUNE 27,
2024.

Cindy Kline, Assistant Secretary