

Minutes of the New Jersey Health Care Facilities Financing Authority regular Meeting held on August 24, 2023 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following *Authority Members* were in attendance:

Greg Lovell, Designee of the Commissioner of Human Services; and via telephone: Robin Ford, Designee of the Commissioner of Health (Chairing); Manny Paulino, Designee of the Commissioner of Banking and Insurance; Bridget Devane and David Brown (joining the call at 10:17am), Public Members

The following *Authority staff members* were in attendance:

Frank Troy, Alpa Patel, Taryn Rommell, Cindy Kline, Ron Marmelstein, Bill McLaughlin, Kia Inman; and via telephone: Edwin Fuentes and Tracey Cameron

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

Brian McGarry, Attorney General's Office; and via telephone: Erica Holmes, Department of Health; Dorian Smith, Governor's Authorities Unit; John Kelly, Wilentz, Goldman, & Spitzer; Dave Gannon, PKF O'Connor Davies; Tamara Cunningham, RWJBarnabas Hospital; Monika Finnegan and Christopher Tascione, AtlantiCare Regional Medical Center

CALL TO ORDER

Mr. Troy called the meeting to order at 10:05 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. Troy recommended that in the absence of the Chair and Vice Chair, that a Chair pro tem be named. Mr. Lovell nominated Robin Ford to serve as Chair pro tem for the August 24, 2023 meeting and Ms. Devane seconded. Mr. Troy called for a vote. All Members voted in the affirmative and the motion carried.

Ms. Ford reminded Members on the phone to identify themselves before making or seconding a motion. She also reminded staff and anyone from the public on the call to identify themselves before commenting or asking questions.

1. APPROVAL OF MINUTES July 27, 2023 Authority Meeting

Minutes for the Authority's July 27, 2023 Meeting were distributed for review and approval prior to the meeting. Ms. Ford asked for a motion to approve the minutes. Mr. Lovell made the motion. Mr. Paulino seconded. Ms. Ford asked if there were any questions or comments on the motion. There were no questions or comments. Ms. Ford called for a vote. All Members voted in the affirmative and the minutes were approved.

2. TEFRA HEARING, CONTINGENT BOND SALE AND INFORMATIONAL PRESENTATION

AtlantiCare Regional Medical Center, Inc.

Ms. Ford announced that the following portion of the meeting would be considered a public hearing in connection with the proposed issuance of bonds on behalf of AtlantiCare Regional Medical Center. She explained that this hearing was taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Ms. Ford said that Members from AtlantiCare were on the call to answer any questions. She then called on Bill McLaughlin to give the informational presentation.

Mr. McLaughlin began by stating that today's presentation will serve as both an informational presentation and a request for a contingent sale of bonds. Joining us today from AtlantiCare Regional Medical Center are Monika Finnegan, Corporate Director of Finance, and Christopher Tascione, VP of Finance and Corporate Controller.

Mr. McLaughlin pointed out that Atlanticare Regional Medical Center is a 593 licensed-bed, acute care not-for-profit hospital facility with two campuses located in Atlantic City and Galloway Township New Jersey.

Mr. McLaughlin noted that per the audited financial information for AtlantiCare Regional Medical Center ending December 31, 2022, provided in the meeting materials: after experiencing an increase of over 200% in excess revenues over expenses from 2020 to 2021, the Medical Center's excess revenues over expenses dropped from \$214.3 million in 2021 to (-\$102.1) million in 2022. The Medical Center attributes this decrease mostly to the unrealized losses and performance of their investment portfolio in 2022. Based on audited information from 2019 through 2022, Days Cash on Hand has increased from 414.94 to 541.34 days, which is well above the statewide median of 181.16 days. Days in Accounts Receivable remained in line with statewide medians, while Days in Accounts Payable were 64.61, materially better than the statewide median of 94.06 during the same period of time. Debt Service Coverage increased from 17.67 to 18.25 times, which is well above the statewide median of 6.25 times.

Mr. McLaughlin also noted that Atlanticare's Annual Inpatient Utilization Trends in the meeting materials indicate a decrease in Inpatient Days from 2019 through 2022, from 124,486 days to

112,990 days. Inpatient Admissions and Occupancy Rate both saw slight decreases in 2022, while Average Length of Stay remained steady in 2022 at 5.74 days.

Mr. McLaughlin introduced Taryn Jauss-Rommell, Director of Research, Investor Relations and Compliance, to give Members a review of the Borrower's managerial financial projections.

Ms. Rommell began by informing Members that Authority staff reviewed management's projected financial statements and related assumptions prepared in connection with the proposed AtlantiCare Regional Medical Center (AtlantiCare) Series 2023 transaction.

As noted in the materials, AtlantiCare is currently rated AA- by both S&P Global and Fitch. These ratings are considered investment grade.

According to Ms. Rommell, with respect to the Statement of Operations which is page 4 in the materials, staff calculated operating margins of 2.74% and 1.69% in 2023 and 2024, respectively. The 2023 margin is well above the most recent S&P Global median for AA- rated health system of -0.9%. The EBITDA margins (Earnings Before Interest, Taxes, Depreciation and Amortization) during the forecast period would be 9.06% and 7.90% which are both above the S&P median of 6.7% for similarly rated hospitals.

Ms. Rommell concluded by saying that staff found the projections and management's underlying assumptions to be reasonable. To summarize, staff's analysis suggests AtlantiCare would have adequate cash reserves and profitability to generate sufficient funds to meet its debt service requirements during the forecast period. She then told Members she would answer any questions they had.

Mr. McLaughlin then informed Members that Atlanticare has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately \$65 million, the proceeds of which will be used with other available moneys, for: (i) reimbursing the Borrower for the costs of planning, development, acquisition, construction, equipping, expansion, furnishing and renovation of all or a portion of one or more of the various capital projects of the Borrower and its affiliates described in Exhibit A of the Bond Resolution in the meeting materials, and (ii) the payment of all or a portion of the costs incurred in connection with the issuance and sale of the Series 2023 Bonds.

Currently, according to Mr. McLaughlin, the Medical Center has one series of tax-exempt bonds outstanding with this Authority: the Series 2021 Revenue bonds, with a current outstanding principal balance of \$213,055,000. The Bonds are rated AA- by both S&P Global Ratings and Fitch Ratings.

Mr. McLaughlin also stated that the Attorney General's Office has assigned Wilentz, Goldman & Spitzer P.A. to serve as Bond Counsel for this transaction. Further, AtlantiCare has conducted a competitive process and selected TD Bank N.A. as the purchaser of the bonds.

Mr. McLaughlin announced that as part of the TEFRA Hearing, members of the public were allowed to provide comments to the Authority via email. As of yesterday's deadline of 9am for comments, the Authority did not receive any written comments.

Mr. McLaughlin then introduced John Kelly of Wilentz Goldman and Spitzer, the Bond Counsel, to present the Bond Resolution pertaining to this transaction. Following both presentations, Mr. McLaughlin offered that the AtlantiCare management team, Ms. Rommell, Mr. Kelly, or he would answer any questions or concerns.

Mr. Kelly began by stating that the Bond Resolution authorizes the issuance of the tax-exempt Series 2023 Bonds in an aggregate principal amount not in excess of \$65,000,000, as set forth in the Trust Agreement pursuant to which the Series 2023 Bonds will be issued. The Series 2023 Bonds will bear interest at the rate or rates per annum set forth in the Trust Agreement, provided, that (i) from their date of issuance to, but not including, the Initial Mandatory Purchase Date (which is 20 years after their date of issuance), the Series 2023 Bonds shall bear interest at the Direct Purchase Rate set forth in the Trust Agreement, which Direct Purchase Rate shall not initially exceed 8% per annum (excluding any adjustments to such Direct Purchase Rate required by the terms of the Trust Agreement), and (ii) from and after the Initial Mandatory Purchase Date or if the 2023 Bonds have been converted to another Interest Rate Mode under the Trust Agreement, the Series 2023 Bonds shall bear interest at such other rate as shall be determined in accordance with the Trust Agreement, provided that in no event shall the interest rate on the Series 2023 Bonds exceed the maximum rate permitted by law. The Series 2023 Bonds will have a final maturity date of no later than July 1, 2053 and be subject to redemption prior to maturity as set forth in the Trust Agreement, provided, that the redemption price cannot be greater than 105% of the principal amount of the Series 2023 Bonds being redeemed.

Mr. Kelly also noted that the Series 2023 Bonds will be issued by the Authority under and pursuant to a Trust Agreement by and between the Authority and U.S. Bank Trust Company, National Association, as Bond Trustee. The Series 2023 Bonds will be secured by payments to be made by Atlanticare Regional Medical Center, Inc. (the "Borrower") under its Loan Agreement with the Authority, as evidenced and secured by a promissory note of the Borrower, and amounts on deposit in certain funds held by the Bond Trustee. The promissory note will be issued under the existing Master Trust Indenture by and between Atlanticare Health System Inc., on behalf of itself, the Borrower and any other future members of the Obligated Group, and U.S. Bank Trust Company, National Association, as Master Trustee. The promissory note will be secured by a gross revenue pledge of the Obligated Group under the Master Trust Indenture.

Additionally, Mr. Kelly continued, the Bond Resolution approves the form of, and authorizes the execution and delivery of, the Series 2023 Bonds, the Loan Agreement and the Trust Agreement relating to the Series 2023 Bonds. Further, the Bond Resolution appoints U.S. Bank Trust Company, National Association, as Bond Trustee, Bond Registrar and Paying Agent for the 2023 Bonds. The Bond Resolution also approves the form of and authorizes the execution of the Direct

Bond Purchase Agreement among the Authority, the Borrower and TD Bank N.A., as the direct purchaser of the Series 2023 Bonds. In addition, the Bond Resolution also authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the issuance of the Series 2023 Bonds and the financing of the costs of the Project.

Ms. Ford asked if any Members had any questions. There were none. She then asked if anyone from the public had any comments or questions. There were none.

Ms. Ford asked for a motion to adopt the resolution approving a contingent bond sale on behalf of AtlantiCare Regional Medical Center. Mr. Paulino made the motion. Mr. Lovell seconded. Ms. Ford asked if the Members had any questions on the motion. There were no questions. All Members voted in the affirmative and the resolution was approved.

Ms. Ford congratulated the representatives from AtlantiCare and asked if there was anything they would like to add. Ms. Finnegan thanked the Members for approving the motion.

Ms. Ford said that she now would close the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended.

AB RESOLUTION NO. 2023-8-A

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled, “**A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, ATLANTICARE HEALTH SYSTEM OBLIGATED GROUP ISSUE, SERIES 2023.**”

(attached)

Mr. Brown joined the call at 10:17am.

3. AUDIT COMMITTEE REPORT & APPROVAL OF THE AUTHORITY’S 2022 AUDITED FINANCIAL STATEMENTS

Ms. Ford announced that she would present a report from the July 27, 2023 Audit Committee Meeting, and a request for approval of the Authority’s 2022 audited financial statements.

Ms. Ford began by saying that on July 27, 2023, representatives from PKF O’Connor Davies, LLP presented the Audit Committee with the Authority’s 2022 Audit. Following their presentation, the Committee voted to approve the audit. Today we are recommending the Authority Members approval of the 2022 Audit, as well as its submission to the Governor, members of the Legislature,

the Secretary of State, and the Comptroller of the Treasury, as is required by the Authority's enabling legislation.

Ms. Ford highlighted a few key aspects of the 2022 audit. PKF's audit of the Authority's financials found:

- The Authority's audit was issued with an Unmodified or "clean" Opinion.
- There were no significant or unusual Authority transactions, no disagreements with management on the scope of the audit or application of accounting principles and no difficulties dealing with management.
- There were no compliance issues.
- There were no unrecorded audit adjustments.
- In regards to all major accounting estimates, all of management's estimation processes appeared appropriate.

In light of a positive audit report and the actions by the Authority, Ms. Ford commended the Authority Management and the Division of Operations, Finance and Special Projects for another year of outstanding work.

Ms. Ford opened the floor for any questions the Members had for the Auditors, David Gannon (auditor from PKF O'Connor Davies), Staff or the Audit Committee.

There were no questions.

Because the Committee voted unanimously in favor of recommending approval of the audit, Ms. Ford made a motion to authorize the approval of the 2022 Audit and submit it to the Governor, members of the Legislature, the Secretary of State, and the Comptroller of the Treasury, as is required by the Authority's enabling legislation.

Ms. Ford asked for a second motion to approve the Authority's 2022 audited financial statements. Mr. Brown seconded. Ms. Ford asked if the Members had any questions on the motion. There were no questions. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. 2023-8-B

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Authority's 2022 audited financial statements.

4. APPROVAL OF SECOND ONE-YEAR EXTENSION OF AUDITOR'S CONTRACT

Ms. Ford announced she would present a request for approval of the second of two possible one-year extensions of the auditor's contract.

Ms. Ford began by explaining that the Audit Committee, comprised of Mr. Paulino, Ms. Devane, and herself (Chair), met on July 27, 2023 at 11:00 a.m. via conference call to consider extending the contract with the current auditor, PKF O'Connor Davies, LLP ("PKF") for the second of two (2) one-year extensions allowed under the existing contract.

Ms. Ford continued by saying that the Committee is recommending to the Members that PKF be awarded the second of two one-year extensions on their existing contract. All the original terms will remain in effect for this second extension and the fee for the financial statement audit will be \$44,000, an increase of \$1,000 per the original contract.

Ms. Ford therefore moved that PKF O'Connor Davies, LLP be awarded the second of the two (2) one-year extensions on their contract.

Ms. Ford said she would be happy to answer any questions.

Ms. Ford asked if there was a second to her motion to approve the second of two possible one-year extensions of the auditor's contract. Mr. Lovell seconded. Ms. Ford asked if the Members had any questions on the motion. There were no questions. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. 2023-08-C

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the second of two possible one-year extensions of the auditor's contract.

5. AUTHORITY EXPENSES

Ms. Ford referenced a summary of Authority expenses and invoices provided to the Members. Mr. Paulino made the motion to approve the expenses. Mr. Lovell seconded. Ms. Ford asked if there were any questions or comments on the motion. There were no questions or comments. Ms. Ford 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. 2023-8-D

WHEREAS, the Members of the Authority have reviewed the memoranda dated August 16, 2023 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amount of \$37,173.00 and \$17,236.91, 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.

6. STAFF REPORTS

Ms. Ford thanked staff for the Project Development Summary, Cash Reconciliation Report, and Semi Annual Budget Report.

Ms. Ford then asked Executive Director Frank Troy to present his Executive Director's report.

Mr. Troy reported the following:

1. I want to acknowledge and thank Ron Marmelstein, Alpa Patel and the Operations staff for another audit with a "clean" opinion and no adjustments.

Also, thank you to Bill McLaughlin and Edwin Fuentes in Project Management, Taryn Rommell in Compliance and Ron Marmelstein, Jessica Waite and Michael Solidum in Operations for their work on the AtlantiCare Series 2023 financing.

2. New Jersey Hospital News

- a) CMS updated its Overall Hospital Quality Star Ratings for 2023, awarding 483 U.S. hospitals five stars as of July 26th. Five New Jersey hospitals received five stars: Hackensack University Medical Center, Hunterdon Medical Center, Morristown Medical Center, University Medical Center of Princeton and St. Luke's Warren Hospital.
- b) Newsweek released its 2023 best hospital rankings with seven New Jersey facilities making the list: Monmouth Medical Center (#406), Englewood Hospital and Medical Center (#317), Newark Beth Israel Medical Center (#201), Overlook Medical Center (#167), Valley Hospital (#121), Hackensack University Medical Center (#57) and Morristown Medical Center (#46).
- c) Morristown Medical Center was #4 in Becker's Hospital Review list of the Top 15 Hospitals to Work for Nurses.
- d) Nurses at Robert Wood Johnson University Hospital in New Brunswick went on strike on Friday, August 4, 2023. The nurses, represented by the United Steel Workers rejected management's latest offer. Articles on the subject were amongst those distributed.
- e) Hackensack Meridian Health CEO Robert Garrett was named chair of the World Economic Forum's Health and Healthcare Governor's Community.

3. Ratings Agency Actions and Publications

- a) Fitch Ratings (Fitch) affirmed University Hospital’s rating of BB- which is below investment grade. Fitch cited a challenging payor mix, significant pension liability and uncertainty around the timing and funding of University’s \$1.8 billion facilities master plan. The outlook remains Stable.
- b) S&P Global Ratings released their 2022 not-for-profit acute care medians noting historically low metrics. The median operating margin was essentially a break-even at 0.01%, down from the 2021 median of 2.8%. Perhaps the most striking graphic in the report was the change in the ratio of unfavorable to favorable outlooks: 2.3 to 1.0 in 2022, 4.8 to 1.0 year-to-date 2023. Fitch also released their 2022 ratings with similar findings.
- c) Moody’s Investors Services issued a Not-for-Profit and Public Healthcare Sector Comment titled Hospitals Begin Healing Process, But Recovery Will Be Long. Moody’s noted elevated expenses will remain a financial constraint for many healthcare providers. A copy was included with this month’s articles.

4. New Jersey Health Care News

- a) As reported last month, Dr. Kaitlan Baston is serving as Acting Commissioner of Health.
- b) On August 14, 2023, Village Drive Urban Renewal, a low income assisted living project in Millville funded in part by Authority bonds, posted a notice on the Municipal Securities Rulemaking Board EMMA data port that it failed to make required monthly deposits to its debt service funds in April, May, June and July. Principal and interest approximating \$812,000 is due bondholders on October 1st. This morning another notice was posted reporting Village Drive and its property manager have initiated arbitration proceedings and stating “current operations are not sufficient to cover scheduled debt service”. The notice goes on to say Village Drive is “seeking to raise capital in order to meet the upcoming bond payment...However, we cannot be assured of a positive outcome...”.

5. National Health Care News

- a) The July 2023 Kaufman Hall National Hospital Flash Report noted rising bad debt and charity care levels and continued operating expense challenges.
- b) Health care “disruptor” Amazon recently expanded its telehealth service going nationwide on August 1, 2023. Amazon Clinic’s virtual appointments are available in all fifty states for \$75 and messaging-based consultations are available in 34 states for \$35. Insurance is not accepted.

- c) A Study published in Health Affairs found that prices negotiated by insurers for their commercial plans are two- to three-times higher than their Medicare Advantage plan prices at the same location for the same services.
- d) KFF Health News published a list of 2021 average hospital inpatient expenses per day. The New Jersey average for non-profit hospitals was \$3,315, 12th highest in the country. The national average was \$3,013.
- e) EY (formerly known as Ernst & Young) released a report connecting current macroeconomic trends to the health sciences and wellness sectors. Similar to rating agency research, EY notes continued pressure on health care providers' operating margins due to increasing labor and supply costs and structural personnel shortages. Payors will see increasing pressure to raise payment rates and will see more urgent and emergency care claims as household finances deteriorate and preventive care is delayed.
- f) Staffing firm AMN Healthcare published a report noting strong demand for nurse practitioners and physician specialists. Several healthcare starting salaries were listed with orthopedic surgeons having the highest at \$633,000.

6. Bond and Tax Legislation and Regulatory News

- a) An article in The Bond Buyer suggests rising U.S. debt may prompt another look at the tax exempt status of municipal bonds after the 2024 presidential election.

7. Other News

The Labor Department said on August 10th that the consumer price index, a broad measure of the price for everyday goods including gasoline, groceries and rents, rose 0.2% in July from the previous month. Prices climbed 3.2% from the same time last year, up from 3.0% in June and slightly below the 3.3% forecast. Morgan Stanley commented that "The CPI didn't show any signs of reaccelerating inflation, but it didn't mark a dramatic drop-off either".

8. Authority News

The Authority currently has two employment opportunities, the Assistant Director of Research, Investor Relations and Compliance and the Communications/Government Relations Specialist. Both are full-time positions and links to the job descriptions can be found on our website.

Ms. Ford thanked Mr. Troy for his report.

As there was no further business, Ms. Ford asked for a motion to adjourn. Mr. Paulino made the motion and Mr. Lovell seconded. All Members voted in the affirmative. The meeting was adjourned at 10:33 am.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY MEETING HELD ON AUGUST 24, 2023.

Cindy Kline, Assistant Secretary