

These are the Minutes of the New Jersey Health Care Facilities Financing Authority’s regular meeting held on August 22, 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; Greg Lovell, Designee of the Commissioner of Human Services; and Tom Sullivan, Public Member.

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

On-Site: Frank Troy, Cindy Kline, Jeff Solimando, Bill McLaughlin, Edwin Fuentes, Jose Lora, Taryn Rommell, and Alpa Patel.

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

On-site: Stephanie Gibson, Attorney General’s Office and Dorian Smith, Governor’s Authorities Unit. Via Microsoft Teams: Carrie Camp, NJDOH and David Gannon, CPA, PKF O’Connor Davies.

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 called on Jeff Solimando, the Authority’s Communications Specialist, to call the roll and establish attendance.

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

1. APPROVAL OF MINUTES

- **July 25, 2024 Authority Meeting**
- **August 2, 2024 Special Meeting**

Minutes for the Authority’s last regular meeting held on July 25, 2024, were distributed for Member review and approval prior to today’s meeting.

Mr. Brown requested a motion to approve the July 25, 2024, Minutes. Mr. Paulino made the motion and Mr. Glyn 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.

Minutes for the Authority's special meeting held on August 2, 2024, were also distributed for Member review and approval prior to today's meeting.

Mr. Brown requested a motion to approve the August 2, 2024, special meeting Minutes. Mr. Glyn 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, except Mr. Sullivan who abstained, and the motion was approved.

2. AUDIT COMMITTEE REPORT & APPROVAL OF THE AUTHORITY'S 2023 AUDITED FINANCIAL STATEMENTS

Mr. Brown called on Mr. Paulino to present a report from the August 8, 2024, Audit Committee meeting, and a request for approval of the Authority's 2023 audited financial statements.

Mr. Paulino began by stating that on August 8, 2024, representatives from PKF O'Connor Davies, LLP ("PKF") presented the Audit Committee with draft copies of the Authority's 2023 audited financial statements and the related required communications. Following their presentation, the Committee voted to approve the audited statements.

Mr. Paulino stated that today we are requesting the Authority Members approval of the 2023 audited financial statements, as well as their 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.

Mr. Paulino highlighted a few key aspects of the 2023 audit engagement. PKF's audit of the Authority's financials found:

- The Authority's audit report 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.
- Regarding 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, Mr. Paulino commended the Authority Management and the Division of Operations, Finance and Special Projects for another year of outstanding work.

Mr. Paulino opened the floor for any questions the Members had for the Auditors, David Gannon or Dana Montanelli from PKF), Staff or the Audit Committee.

There were no questions.

Because the Committee voted unanimously in favor of recommending approval of the audit, Mr. Paulino made a motion to authorize the approval of the 2023 audited financial statements and submit them 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.

Mr. Brown requested a second motion to approve the Authority's 2023 audited financial statements. 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. 2024-8-A

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Authority's 2023 audited financial statements.

3. MEMORANDUM OF AGREEMENT WITH THE DEPARTMENT OF HEALTH TO EFFECTUATE THE STATE FISCAL YEAR 2025 APPROPRIATION FOR FAMILY PLANNING FACILITY UPGRADES

Mr. Brown asked Taryn Rommell to explain the details of a request to adopt a resolution creating the State Fiscal Year 2025 Forgivable Loan Program for Family Planning Facility Upgrades and authorizing a Memorandum of Agreement with the Department of Health to administer the Program and approving a Form of Application and Loan Agreement for the Program.

Ms. Rommell began by informing Members that the State Fiscal Year 2025 Appropriations Act (P.L. 2024, c. 22) appropriated a Grant-in-Aid line item of \$10,000,000 to the Department of Health (the "Department") and the New Jersey Health Care Facilities Financing Authority (the "Authority") for the purpose of continuing to provide funds for "Family Planning Facilities Upgrades." The Authority's enabling legislation gives it the authority to enter into loan agreements with health care organizations,

including family planning facilities, to provide them with the funds necessary for projects, including upgrades to their health care facilities in order to meet the need for family planning services.

Ms. Rommell stated that pursuant to this loan program, and because the funds for the loans were a grant-in-aid appropriated by the State, the loans would be eligible for forgiveness if the recipient family planning facility uses the funds exclusively for eligible purposes and continues to operate and provide family planning services for at least one year after entering into the loan agreement.

Ms. Rommell said that in order to continue to appropriately solicit loan applications and award and administer the loans, as well as to disburse the loan proceeds, Authority staff recommends entering into a Memorandum of Agreement between the Authority and the Department (the "MOA") for a State Fiscal Year 2025 Family Planning Facilities Upgrades Forgivable Loan Program (the SFY 2025 Program).

Ms. Rommell stated that the proposed MOA sets out the same respective responsibilities of the Department and the Authority as the ones approved in the two previous years, including eligibility of loan recipients and the criteria that will be evaluated in determining which organizations get loans and in what amounts. The Department has once again agreed to provide a family planning services subject matter expert to assist in soliciting loan applications, reviewing the loan applications and participating in the selection of loan recipients and loan amounts.

According to Ms. Rommell, the Authority will follow the procedures that it used for the State fiscal year 2023 and 2024 programs which were based on the procedures used to disburse bond proceeds, that is: prior to disbursing loan proceeds it will require requisitions from loan recipients with invoices or receipts, which will be reviewed and approved by an Account Administrator, an Assistant Account Administrator and, in the case of construction expenses, the Authority's Construction Compliance Officer. The Authority will be permitted to reimburse itself from the appropriation, upon review and approval of the Department, for its actual expenses at cost, and at the hourly rates identified on Attachment B of the MOA for each hour each Authority employee spends working on the SFY 2025 Program.

Ms. Rommell pointed out that a resolution creating the SFY 2025 Program along with a substantially final form of the MOA, a form of loan application and a form of loan agreement were distributed to Authority Members on Wednesday, August 13th. The documents are substantially the same as those of the State fiscal year 2024 program. The Office of the Attorney General has reviewed the resolution, the MOA, the form of loan application and the form of loan agreement and has no objection to the Members' consideration thereof. Authority staff recommends that Authority Members approve the aforementioned as provided.

Ms. Rommell concluded by informing Members that she or Executive Director Frank Troy would be happy to answer any questions.

Mr. Brown asked for a motion to approve a resolution creating the State Fiscal Year 2025 Forgivable Loan Program for Family Planning Facility Upgrades and authorizing a Memorandum of Agreement with the Department of Health to administer the Program and approving a Form of Application and Loan Agreement for the Program. Mr. Paulino made the motion. Mr. Sullivan 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, except Mr. Glyn who abstained, and the motion was approved.

AB RESOLUTION NO. 2024-8-B

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled “**A RESOLUTION APPROVING A STATE FISCAL YEAR 2025 FORGIVABLE LOAN PROGRAM FOR FAMILY PLANNING FACILITY UPGRADES AND AUTHORIZING A MEMORANDUM OF AGREEMENT WITH THE DEPARTMENT OF HEALTH TO ADMINISTER THE PROGRAM, A FORM OF APPLICATION FOR THE PROGRAM, AND A FORM OF LOAN AGREEMENT FOR THE PROGRAM.**”

(attached)

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 requested a motion to approve the bills and authorize payment. Mr. Lovell made the motion to approve the expenses. Mr. Glyn 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. 2024-8-C

WHEREAS, the Members of the Authority have reviewed the memoranda dated August 14, 2024, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and the memorandum dated August 14, 2024, summarizing general operating expenses, in the amounts of \$27,044.00 and \$8,845.42, 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 reported the following:

1. I would like to thank the Audit Committee for their time and diligence and Ron Marmelstein, Alpa Patel, Ankita Parikh and the entire Operations team for another job well done. I would also like to compliment PKF O'Connor Davies, LLP for their professionalism in conducting the audit.

2. New Jersey Hospital News
 - a) Becker's Hospital Review released its 2024 "Great Hospitals in America" list which included the following in New Jersey: Hackensack University Medical Center, Hackensack Meridian Jersey Shore University Medical Center, Morristown Medical Center, Overlook Medical Center, Robert Wood Johnson University Medical Center and The Valley Hospital.
 - b) More than one-third of New Jersey's hospitals received two stars or less in the latest ratings from the Centers for Medicare and Medicaid Services. Only four hospitals received five stars, the highest rating: Hackensack University Medical Center, Hunterdon Medical Center, Morristown Medical Center and St. Luke's Warren Hospital. The rating combines measures across five areas of quality – mortality, safety of care, readmission, patient experience and timely, effective care.
 - c) Jefferson Health, parent of the former Kennedy Health System, officially merged with the Lehigh Valley Health Network based in Allentown, PA, creating a top 15 not-for-profit U.S. health system. The combined network includes 32 hospitals and over 700 sites of care.
 - d) The University of Pennsylvania Health System ("U Penn"), parent of Princeton Medical Center, signed a definitive agreement to acquire Doylestown Health which would add a seventh hospital to the U Penn system. The proposed transaction requires federal and state approval.
 - e) Included in this month's articles is a NJBIZ piece written by New Jersey Hospital Association CEO Cathy Bennett on how its member hospitals have maintained quality during the COVID-19 pandemic and during the current period of labor shortages and rising costs.
 - f) Virtua Health was one of eight health care organizations recognized by Modern Healthcare Magazine as one of 2024's Diversity Leaders. The Diversity Leaders Awards Program honors health care executives and organizations working to further equity and inclusion at their organizations and within the industry.

- g) RWJBarnabas Health Executive Vice President and Chief External Affairs and Policy Officer George Helmy was appointed by Governor Murphy to fill the U.S. Senate seat vacated by Senator Bob Menendez. He served as Governor Murphy's chief of staff from February 2019 to October 2023.
- h) Also included this month is another NJBIZ article about New Jersey providers included in Newsweek's inaugural specialty hospital rankings.

3. Ratings Agency Actions and Publications

- a) Moody's Ratings affirmed Inspira Health Network's ("Inspira") A2 rating with a Stable outlook. Fitch Ratings ("Fitch") recently affirmed its higher AA- rating on Inspira bonds, also with a stable outlook.
- b) S&P Global ("S&P") affirmed Saint Peter's University Hospital's BBB rating and revised the outlook to Positive from Stable. The revised outlook reflects the potential upside from the proposed merger with Atlantic Health System.
- c) Fitch affirmed Hackensack Meridian Health's AA- rating. The outlook is Stable.
- d) S&P recently reported that hospital downgrades continue to outpace upgrades through the end of June. In 2023, the ratio of downgrades to upgrades was 3.8 to 1.0. Halfway through 2024 the ratio has improved somewhat to 3.0 to 1.0. All New Jersey S&P ratings actions this year have been affirmations.
- e) Fitch released its 2023 not-for-profit healthcare medians. The median operating margin improved slightly from 0.2% in 2022 to 0.4% in 2024. For comparison purposes, the 2023 Apollo System median for New Jersey hospitals was 2.6%. Fitch noted incremental improvement but still maintains a negative outlook for the sector.

4. New Jersey Health Care News

- a) Hackensack Meridian Health and Monmouth University announced a partnership to collaborate on clinical academic placement and community wellness initiatives. In addition, Hackensack Meridian Urgent Care Centers will be available to Monmouth students for after-hours care when the University's health center is not open.
- b) Morris County ranked 16th nationally in U.S. News & World Report's 2024 Healthiest Communities. Hunterdon County was ranked 5th in health outcomes.
- c) According to the Centers for Medicare and Medicaid Services ("CMS"), New Jersey has the 7th longest emergency room wait times in the country at three hours and 14 minutes. The District of Columbia was worst in the nation at five hours and 25 minutes.
- d) Several of the State's hospitals are participating in the New Jersey Housing and Mortgage Agency's Hospital Partnership Subsidy Program which combines health care services and affordable housing. A ribbon cutting ceremony was recently held for a project involving University Hospital in Newark. St. Joseph's Health was involved in

the first such project which opened last year. A third is being developed in Camden through a collaboration between Virtua Health and The Michaels Organization.

- e) Included this month is an article on CHA Partners (“CHA”), a New Jersey real estate and development company that is looking to acquire Crozer Health’s four Delaware County, PA financially distressed hospitals. Over the years, CHA acquired five closed hospitals in New Jersey and developed the sites in “medical malls”. CHA acquired an operating hospital, the distressed Salem Medical Center, in 2019 but sold the facility to the Inspira Health Network in 2022

5. National Health Care News

- a) The June 2024 Kaufman Hall National Hospital Flash Report once again noted the growing divide between higher and lower performing hospitals.
- b) According to an article in Healthcare Chief Executive Magazine, healthcare data breaches are the most expensive of any industry on average costing \$9.8 million in 2024, down from \$10.9 million in 2023. The average cost across all sectors was \$4.9 million.
- c) The Centers for Medicare and Medicaid (“CMS”) announced a 2.9% increase in Medicare inpatient hospital payment rates for the federal fiscal year beginning October 1, 2024 resulting in \$2.9 billion in additional spending. The industry labeled the percentage as woefully inadequate.
- d) CMS announced the results of price negotiations for ten widely prescribed name-brand drugs. According to CMS, the program would have saved approximately \$6 billion last year had those prices been in place. Medicare Part D participants will see out-of-pocket reductions starting January 1, 2026. Unfortunately, CMS’s savings will not remain in the Medicare program.

6. Bond and Tax Legislation and Regulatory News

The long-awaited implementation of the Federal Data Transparency Act of 2022 (“the Act”) continues to make news and draw speculation. Some form of XBRL, or extensible business related language, continues to be mentioned as well as a new identifier for municipal securities, the Financial Instrument Global Identifier (“FIGI”), which is established by the Object Management Group, an open-membership standards consortium. FIGI would replace the currently used Committee on Uniform Securities Identification Procedure (“CUSIP”), because CUSIP is proprietary and not available for open license in the United States. The Act will likely impact borrowers to a much greater degree than it will the Authority.

7. Other News

The Fed’s Open Market Committee held interest rates steady at its July meeting but signaled a September rate cut was possible. July inflation figures suggest moderating inflation which would support a rate cut.

8. Authority News

- a) Authority Chair and Commissioner of Health Kaitlan Baston was named Vice Chair of the Maternal and Infant Health Innovation Authority Board by Governor Murphy.
- b) Finally, I would like to thank everyone for observing my tenth anniversary with the Authority at the conclusion of last month's meeting with the cake, card and good wishes. The next regular Authority meeting will be Thursday, September 26, 2024 at 10:00AM.

6. ADJOURN

As there was no further business, Mr. Brown asked for a motion to adjourn. Mr. Lovell made the motion and Mr. Glyn 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 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 AUGUST 22, 2024.

Cindy Kline, Assistant Secretary