

**NEW JERSEY HEALTH CARE FACILITIES  
FINANCING AUTHORITY**

**- Agenda -**

1. Approval of Minutes
  - June 25, 2020
2. Audit Committee Report
3. Report on the COVID-19 Emergency Loan Program
4. Authority Expenditures
5. Staff Reports
  - Project Development Summary
  - Cash Reconciliation Report
  - Legislative Update
  - Executive Director's Report

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on July 23, 2020 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following *Authority Members* were in attendance:

Via telephone, Dr. Munr Kazmir, (Chairing) Vice Chair (Public Member); Robin Ford, Designee of the Department of Health; Greg Lovell, Designee of the Commissioner of Human Services; Manny Paulino, Designee of the Commissioner of Banking and Insurance; and Suzette Rodriguez (Public Member)

The following *Authority staff members* were in attendance:

Mark Hopkins, Chris Kniesler and Cindy Kline; and via telephone, Frank Troy, Ron Marmelstein, Bill McLaughlin, Alpa Patel, Edwin Fuentes, Taryn Rommell, Michael Solidum, Jessica Waite, Tracey Cameron

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

Via telephone, George Loeser, Attorney General's Office; Lauren LaRusso, Governor's Authorities Unit; David Gannon, Partner, PKF O'Connor Davies

## **CALL TO ORDER**

Dr. Kazmir called the meeting to order at 10:06 a.m. and announced that this was the regular meeting of the Authority, held in accordance with the schedule adopted at the May 28, 2020 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

### **1. APPROVAL OF MINUTES June 25, 2020 Authority Meeting**

Minutes for the Authority's June 25, 2020 regular meeting were distributed for review and approval prior to the meeting. Dr. Kazmir asked for a motion to approve the minutes. Mr. Lovell made the motion. Ms. Rodriguez seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir then called for a vote on the motion. All members voted in the affirmative and the minutes were approved.

## 2. APPROVAL OF THE AUTHORITY'S 2019 AUDIT

Dr. Kazmir asked Robin Ford to present the report of the Authority's Audit Committee.

Ms. Ford reported that on July 1, representatives from PKF O'Connor Davies presented the Audit Committee with the final draft of the Authority's 2019 Audit. Following their presentation, the Committee voted to recommend that the Authority approve the audit. Ms. Ford stated that the Audit Committee is recommending the Authority's approval of the 2019 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 then highlighted a few key aspects of the 2019 audit. Ms. Ford stated that the PKF O'Connor Davies' audit of the Authority's financials found:

- The Authority's audit was issued with an unmodified or "Clean" opinion.
- All financial statements were fairly presented in conformity with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB) and include all disclosures necessary for such fair presentation.
- The Authority's accounting policies, and the practices and methods followed in applying them, are appropriate and are as disclosed in the notes to the financial statements.
- There have been no changes in the Authority's accounting policies and practices, except for the implementation of a new standard, GASB 84, Fiduciary Activities.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- Adjustments or disclosures have been made for all events subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- There are no deficiencies in the design or operation of internal controls over financial reporting.
- There are no allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.

- There are no instances of noncompliance or suspected noncompliance with laws and regulations.
- The financial statements properly classify all funds and activities.
- Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- The actuarial assumptions and methods used to measure Other Post-Employment Benefits (OPEB) obligations and pension liabilities and related costs for financial accounting purposes are appropriate in the circumstances.

Ms. Ford concluded by saying that, in light of a positive audit report and the actions by the Authority, she wanted to commend the Authority Staff, and specifically, Controller Alpa Patel, Accountant Ellen Lieber, Director Ron Marmelstein and the rest of the Division of Operations, Finance and Special Projects for another year of outstanding work.

Ms. Ford then opened the floor for any questions the Members had for the engagement partner from the auditor, David Gannon, Authority Staff or the Audit Committee. There were no questions.

Ms. Ford then made the motion to authorize the approval of the 2019 Audit and directing that it be submitted 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.

Dr. Kazmir recognized the motion from Ms. Ford and asked for a second. Dr. Kazmir seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir then called for a vote on the motion. All members voted in the affirmative and the motion was approved.

#### **AB RESOLUTION NO. UU-07**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts the resolution to authorize the approval of the 2019 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.

### **3. REPORT ON THE COVID-19 EMERGENCY LOAN PROGRAM**

Dr. Kazmir asked Edwin Fuentes to bring the members up to date on the status of the COVID-19 Emergency Loan Program.

Mr. Fuentes reminded the Members that, on March 26, 2020, the Authority Members approved a resolution authorizing the creation of a loan program whereby the Authority would provide up to \$6,000,000 to fund bridge loans to healthcare organizations in order to alleviate the detrimental effects of the COVID-19 pandemic on the State of New Jersey (the “COVID-19 Loan Program”).

Mr. Fuentes stated that, since the establishment of the Authority’s COVID19 Loan program in March of this year, the Authority staff has been providing the Authority with monthly updates as to the activity of the program.

Mr. Fuentes then referenced a memo in the Members’ meeting materials detailing the activity of the COVID-19 Loan Program since its creation. Mr. Fuentes said that, since last month’s meeting, the Authority has not received any new applications, nor has the Authority approved any new loans. To date, the Authority has received two COVID-19 Loan Program applications, and approved one: Salem Medical Center in the amount of \$1,420,789. The loan was made to be used exclusively for funding additional agency staffing to handle COVID-19 patients, and the overflow from other hospitals due to COVID-19. Since closing, the Authority has processed twenty-nine (29) requisitions for Salem Medical Center, totaling the full amount of the loan of \$1,420,789.

According to Mr. Fuentes, of the \$6,000,000 established in the program, \$4,579,211 still remains left for lending. Mr. Fuentes then asked if the Members had any questions of the program. There were no questions.

Mr. Lovell asked that, with Congress considering a second CARES Act, did the Authority expect to receive applications from any more hospitals. Mr. Hopkins replied that they did not, however the Authority was keeping the program open in case New Jersey is hit with a second wave of the COVID-19 pandemic.

Dr. Kazmir reminded the Members that this presentation was for information only and no action was required.

### **4. APPROVAL OF EXPENSES**

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

## AB RESOLUTION NO. UU-08

**WHEREAS**, the Members of the Authority have reviewed the memoranda dated July, 15, 2020 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$15,580.00 and \$4,348.91 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

Dr. Kazmir thanked staff for the Project Development Summary, Cash Reconciliation Report, and Legislative Update.

Dr. Kazmir asked Executive Director Hopkins to present his Executive Director's report.

Mr. Hopkins reported the following:

1. Authority Members and Senior Staff are reminded that they are required to file a Financial Disclosure Statement with the State Ethics Commission by no later than July 31, 2020 (which has been extended from the usual May 15th due to COVID-19). Filings must be made electronically through the State Ethics Commission website. Late filers will be subject to a fine of up to \$50 per day. Authority Members are required to file the somewhat less onerous disclosure for Public Officers (not Public Employees). If Members or Senior Staff have any questions about the process please do not hesitate to call or email me or Robin Piotrowski, the Authority's Ethics Liaison Officer.
2. New Jersey Coronavirus News:
  - a. Holy Name Medical Center reported it had no COVID-19 patients as of July 10th after being the epicenter of New Jersey in the spring. In total, Holy Name admitted 1,357 patients, with a peak of 257 at one time and 45 of them on ventilators.
  - b. In a statement marking the first anniversary of its acquisition of Lourdes Health, Virtua Health touted the benefits the combined system had on their preparation to handle the COVID-19 pandemic, resulting in "more comprehensive and coordinated care."

- c. The Army News Service ran an article on the soldiers who were assigned to University Hospital for six weeks beginning in late March. The soldiers assisted civilian doctors and nurses at the hospital, which had a huge volume of COVID-19 patients. Some described it as like a war zone. Across the country, more than 9,000 soldiers were deployed to COVID-19 hotspots, including military doctors, nurses, aides and supply and administrative support personnel.
- d. The American Hospital Association estimates that hospitals will lose \$323.1 billion this year due to COVID-19.
- e. Three potential COVID-19 vaccines have shown promise in early published studies with few serious side effects: one from Britain's Oxford University and AstraZeneca, one from CanSinoBiologics and China's military research unit and one from Germany's BioNTech and United States' Pfizer. Additionally, the United States' Moderna showed promising results in a small, yet to be published, study.
- f. A study shows more patients in intensive care units ("ICUs") are surviving COVID-19. Nearly 60% of patients who entered ICUs in March died but that was down to 42% by the end of May. The study author believes the reduction can be attributed to doctors discovering what drugs and treatments work, including remdesivir and dexamethasone. The author also cautioned that there is not one silver bullet, and more work has to be done, noting that death rate in ICUs from other viral pneumonias is 22%.
- g. In New Jersey, deaths from suicide fell in March and April, despite the fear that the lockdowns would cause an increase. In March, 42 people committed suicide compared to 62 in March of 2019 and 68 in March of 2018. In April there were 51 suicides compared to 60 in 2019 and 67 in 2018. May numbers, while preliminary, also indicate suicides declined.

### 3. Other New Jersey Hospital and Health Care News:

- a. Inspira Health has named Amy Mansue as its new president and CEO, effective September 1st. Ms. Mansue will be replacing John DiAngelo who announced in March that he would be stepping down after being with the organization since 2000. Ms. Mansue is currently the Executive Vice President and Chief Experience Officer at RWJBarnabas Health.
- b. Dr. Achintya Moulick has been named as the new CEO of CarePoint Health. Dr. Moulick has been serving as Chief Transition Officer since February after being a consultant for Alvarez & Marsal. He is a cardiovascular surgeon who also has an M.B.A. and served in leadership positions at numerous hospitals.

- c. The Authority has learned that Hunterdon Healthcare, which owns Hunterdon Medical Center, has named Herbert White as Chief Financial Officer. Mr. White was previously Interim Chief Financial Officer at Temple University Health System and holds an M.B.A. from Temple University.
- d. Hackensack Meridian Health received a \$25 million donation from businesswoman and philanthropist Helena Theurer. The donation will be used toward building the 9-story Helena Theurer Cancer Pavilion in Hackensack. The total cost of the project is expected to be \$714.2 million and would house 24 operating rooms, 150 private patient rooms, and a 50-bed orthopedic institute. A decade ago, Hackensack University Medical Center constructed the John Theurer Cancer Center with the help of a \$10 million donation from Ms. Theurer in memory of her husband, a truck trailer company executive.
- e. Deborah Heart and Lung Center has announced an educational partnership with Thomas Jefferson University's Sidney Kimmel Medical College for graduate fellowship training programs. It is expected to expand cardiac and vascular subspecialty training at Deborah.
- f. The collaboration between Rutgers University and RWJBarnabas Health is nearly complete. The 30-year partnership is designed to improve New Jersey's medical education system, expand biomedical research capacity and create a network of world-class health care practices. The collaboration was set to start on July 1st but, due to delays caused by COVID-19, some details on RWJBarnabas' role overseeing the clinical work and practice operation of doctors, nurses and other health care providers affiliated with Rutgers are still being ironed out. The final agreement is expected to be completed in a few weeks. The partnership has raised concerns for several labor organizations representing Rutgers faculty and health care workers about reduced transparency around public resources and the potential for reducing access to essential health services that are less profitable, as well as protections for workers.
- g. Hackensack Meridian School of Medicine has been established as an independent medical school. The school opened three years ago as a partnership between Seton Hall University and Hackensack Meridian Health. In 2018 Hackensack Meridian Health took full financial responsibility for the school. While the medical school will now be both academically and financially independent from Seton Hall, it will still share a campus and allow Seton Hall nursing and health science undergraduates to study there.
- h. University Hospital, along with the New Jersey Institute of Technology and The Tuchman Foundation created a consortium to develop mobile medical care facilities to be deployed to areas that are experiencing disease outbreaks and other disasters as well as regions that do not have health care infrastructure. The

mobile units are 40-foot long repurposed shipping containers that can be sent anywhere in the country to handle medical surge needs from something as simple as testing centers all the way to mobile field units capable of handling critically ill patients.

- i. Hospitals in New Jersey are revamping their supply chains in reaction to the problems presented during the initial wave of COVID-19 and in preparation of an anticipated second wave, including stockpiling personal protective equipment and ventilators, as well as expanding their inventory of home telemonitoring equipment.
  - j. A number of articles on the ongoing saga of the sale of the CarePoint hospitals are provided, including:
    - i. the Hudson County Improvement Authority has begun the eminent domain process to acquire the property of Bayonne Medical Center, Christ Hospital and Hoboken University Medical Center by providing a notice that its real estate appraisal experts will be inspecting each of the facilities.
    - ii. the New Jersey Department of Health has rejected a request for expedited certificate of need review by the proposed purchaser of the operations of Bayonne Medical Center, BMC Hospital, LLC; and
    - iii. the continuing war of words, litigation and accusations of the owners of the CarePoint Health hospital operating companies, Avery Eisenreich, the effective owner of the properties of Bayonne Medical Center and Hoboken University Hospital, BMC Hospital, LLC and Hudson Regional Hospital.
4. Rating Agency Actions and Sector Comments:
- a. Moody's Investors Service affirmed a "Ba1" rating for approximately \$134 million in outstanding bonds issued by the Authority on behalf of Saint Peter's University Hospital, with an outlook of "Stable."
  - b. S&P Global Ratings affirmed its "AA+/A-1" rating for 2009B and 2009C variable rate demand bonds and its AAA/A-1+ rating on 2009D and 2009E bonds issued by the Authority on behalf of Virtua. It also affirmed its "AA-" long-term rating on 2013 bonds issued by the Authority on behalf of Virtua as well as affirming Virtua's underlying rating of "AA-." However, it revised its outlook on the underlying rating from "Stable" to "Negative," citing the multiyear trend of weaker earnings and cash flow that accelerated in the first three months of 2020, the issuance of \$250 million in privately placed taxable debt in 2020 that will cause a spike in maximum annual debt service over the next seven years and the

operating losses at the recently acquired Lourdes Health System, as well as the uncertainty caused by COVID-19.

- c. S&P Global Ratings issued a RatingsDirect article entitled “Overall Not-For-Profit Health Care Pension Funded Ratios Are Stable - - For Now” which noted that pension risk remains a key credit consideration.
  - d. Fitch Ratings reported that not-for-profit hospital medians were improving prior to the impact of COVID-19, with operating margins up to 2.3% in 2019 compared to 2.1% in 2018 and 1.9% in 2017 as well as improvements in most other medians.
  - e. Moody’s noted that patient volumes recovered slightly in May but lagged well behind pre-pandemic levels.
5. In National Health Care News:
- a. A federal appeals court dealt the American Hospital Association a blow by overturning a trial court’s ruling against the U.S. Department of Health and Human Services (“HHS”) rate change requiring site neutral payments. HHS reduced some Medicare Outpatient Prospective Payment System payments to off-campus hospital outpatient departments to make them consistent with other outpatient payments to freestanding physicians’ offices. Prior to site neutrality, hospital affiliated outpatient services were being paid up to 114% more.
  - b. The Federal Trade Commission (“FTC”) and the U.S. Department of Justice has issued a major overhaul of the guidance on vertical mergers (those that combine firms or assets at different stages of the same supply chain, such as CVS Health’s acquisition of insurer Aetna). According to FTC Chairman Joe Simon, the new guidance “are an important step forward in maintaining vigorous antitrust enforcement, and reaffirm[s] our commitment to challenge vertical mergers that are anticompetitive and would harm American consumers.”
6. In Bond and Tax Legislation and Regulatory News:
- a. The House passed a major infrastructure bill which includes the restoration of advance refundings, increase in the cap on bank-qualified bonds to \$30 million based on the borrower and new series of taxable direct-pay bonds with a 42% subsidy. The bill, primarily supported by House Democrats, is expected to meet with resistance in the Senate. A bipartisan bill has been introduced in the Senate to restore advance refundings that is expected to have more success.
  - b. A study from the University of Minnesota provides rigorous quantitative evidence supporting the belief that municipal bonds benefit from their classification, since

2015, as high-quality liquid assets (“HQLA”) level 2B. Investments in HQLAs qualify in meeting a bank’s minimum liquidity coverage ratios imposed by bank regulators after the 2008 financial crisis. The study showed that municipal bonds classified as HQLAs led to an increase in bank purchases of them and five basis points lower costs to the issuer of general obligation bonds, compared non-HQLA classified revenue bonds. In 2019, bank regulators allowed certain revenue bonds to qualify for HQLA classification, but no study has yet been done on the effect of that change.

- c. An article in The Bond Buyer warns municipal bond investors to closely consider downside credit risks amid the coronavirus pandemic.
- d. As newly permitted by the March 2020 CARES Act, to help stabilize financial markets during the COVID-19 pandemic, the Federal Reserve has purchased municipal bonds for the first time in June: a \$1.2 billion Illinois tax anticipation note was purchased by the Federal Reserve Bank of New York’s Municipal Lending Facility. The Federal Reserve is expected to make other municipal bond purchases from states under the program in the near future, setting its limit at \$500 billion for now. There are limits on what entities the Federal Reserve will buy municipal bonds from and what percentage exposure they will allow to each entity or region.
- e. Articles from Fitch Wire and Reuters discuss the upcoming transition away from the London Interbank Offering Rate (“LIBOR”) as an interest rate benchmark. LIBOR is scheduled to be replaced at the end of 2021. Replacement interest rate benchmarks already exist and are being considered by different sovereign regulatory bodies, such as the Secured Overnight Financing Rate (“SOFR”) offered by the Federal Reserve Bank of New York in the United States. Speculation has been circulating around the industry that the discontinuation of LIBOR might be delayed, but most regulatory bodies have reaffirmed their intention to end LIBOR use by the end of 2021.

As there was no further business, Dr. Kazmir asked for a motion to adjourn. After a motion by Mr. Lovell and a second by Ms. Ford the Members voted unanimously to adjourn the meeting at 10:33 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 JULY 23, 2020.

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Cindy Kline, Assistant Secretary