

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on April 22, 2021 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. 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; David Brown (Public Member); Suzette Rodriguez (Public Member); and Thomas Sullivan (Public Member)

The following *Authority staff members* were in attendance:

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

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

Via telephone, George Loeser, Attorney General's Office; Joy Johnson, Governor's Authorities Unit; Ryan Kennedy, Vice President of Finance and Chief Financial Officer, Holy Name Medical Center

## **CALL TO ORDER**

Prior to the start of the meeting, Mr. Hopkins announced that the Authority has a full Board. Mr. Thomas J. Sullivan, Jr. was nominated by Governor Murphy on December 10, 2020 and confirmed by the State Senate on March 25, 2021. Mr. Sullivan is a life-long Bergen County resident and currently serves on the Bergen County Board of Commissioners. Mr. Hopkins asked Mr. Sullivan if he wished to say anything.

Mr. Sullivan thanked everyone for welcoming him and said that he hopes that he will be able to help to the Board. He said that he is ready to listen and learn and that it is a great pleasure to serve on the Board.

Dr. Kazmir called the meeting to order at 10:07 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 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.

## **1. APPROVAL OF MINUTES**

### **March 25, 2021 Authority Meeting**

Minutes for the Authority's March 25, 2021 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. Mr. Brown seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir, Ms. Ford, Mr. Paulino, Mr. Lovell, Ms. Rodriguez and Mr. Brown voted in the affirmative, Mr. Sullivan abstained and the minutes were approved.

## **2. NEGOTIATED BOND SALE REQUEST**

### **Holy Name Medical Center**

Dr. Kazmir asked Edwin Fuentes to present a request for a negotiated sale in the form of a private placement on behalf of Holy Name Medical Center to the Members.

Mr. Fuentes began by introducing Ryan Kennedy, Vice President of Finance and Chief Financial Officer of Holy Name Medical Center, who was participating by telephone.

Mr. Fuentes informed the Members that Holy Name Medical Center ("Holy Name") has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately \$47 million, the proceeds of which will be used, along with other available funds, to: currently refund all of the Authority's Holy Name Medical Center Series 2016A and 2016B Bonds; fund a debt service reserve, if required; and pay the related costs of issuance.

According to Mr. Fuentes, Holy Name is a not-for-profit medical center located in Teaneck, New Jersey. It provides a full range of comprehensive services primarily to residents of northeast New Jersey. Holy Name has 361 licensed beds and employs approximately 3,500 people at its medical center, subsidiaries and physician network.

Mr. Fuentes stated that the outstanding Authority issued obligations of Holy Name include Series 2020 Refunding Bonds, Series 2016A Refunding Bonds and Series 2016B Refunding Bonds. As of April 1, 2021, the total outstanding Authority debt issued on behalf of Holy Name was approximately \$66.3 million.

Mr. Fuentes told the Members that Holy Name has asked that the Authority permit the use of a negotiated sale based on: it is a sale of a complex financing structure, a sale of complex or poor credit, and the volatile market conditions. These reasons are considered under the Authority's policy regarding Executive Order #26 to be a justification for the use of a negotiated sale. Also under the Authority's policies, a Borrower requesting a private placement form of a negotiated sale must justify the use of a private placement by showing it is either less expensive on a present value basis to complete a private placement or that there are other circumstances that would limit the effectiveness or usefulness of a negotiated sale using a public offering. Holy Name has informed the Authority staff that a private placement offers a more cost effective option rather than a public sale, because it allows for the accelerated timeline for closing and due to the relatively small size of the bond issuance.

Mr. Fuentes told the Members that the Authority staff recommends their consideration of the resolution, included in their meeting materials, that approves the use of a negotiated sale in the form of a private placement for the Series 2021 Bonds and the forwarding a copy of the justification in support of said resolution to the State Treasurer.

Holy Name, according to Mr. Fuentes, has completed a competitive bid process and intends to select TD Bank N.A. as the Purchaser for the bonds.

Mr. Fuentes concluded by telling the Members that the Attorney General's Office has assigned John Kelly of Wilentz, Goldman & Spitzer, P.A. to serve as Bond Counsel on this transaction. He then offered to answer any questions from the Members.

Dr. Kazmir asked if the Members had any questions on the information presented.

Mr. Sullivan asked if the construction was a prevailing wage project.

Mr. Hopkins replied that this was a refunding of previous bonds, but that all Authority financed projects must adhere to the prevailing wage laws.

Mr. Sullivan asked if the original project paid the prevailing wage.

Mr. Ryan Kennedy, Vice President of Finance and Chief Financial Officer, Holy Name Medical Center, said that this was the second refunding of the Series 2006 bonds. According to Mr. Kennedy, those funds were used for the Emergency Room expansion and prevailing wages were paid.

Mr. Sullivan asked whether the Authority holds the certified payroll on these projects.

Mr. Hopkins replied that the contractor holds the certified payroll.

Dr. Kazmir asked for a motion to approve a negotiated sale in the form of a private placement on behalf of Holy Name Medical Center. Mr. Lovell offered the motion. Ms. Ford 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 motion passed.

### **AB RESOLUTION NO. UU-33**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts the resolution entitled "**RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26**

*(attached)*

### 3. AUTHORITY EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Mr. Brown 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-34

*WHEREAS*, the Members of the Authority have reviewed the memoranda dated April 14, 2021 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$27,540.00 and \$34.00 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.

### 4. 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 then reported the following:

1. Mr. Hopkins reminded Authority Members and Senior Staff that they are required to file Financial Disclosure Statements with the State Ethics Commission by no later than May 15, 2021. 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). Anyone with questions about the process should call Mr. Hopkins or Robin Piotrowski, the Authority's Ethics Liaison Officer.
2. Mr. Hopkins directed the Authority Members to the blank slate of officers and suggested meeting dates provided in their meeting packets. The Authority Members will be asked to elect officers and vote on meeting dates at our annual meeting next month.
3. Continuing the repayment updates on the \$1,420,789 COVID-19 Emergency Loan the Authority made to Salem Medical Center last spring, Salem Medical Center has repaid

\$1,300,000 to date leaving a balance of \$120,789. While CARES Act funding was received by Salem on August 17, 2020, Salem expended significant other amounts for expanding bed capacity to treat COVID-19 patients, which is expected to be reimbursed by the Federal Emergency Management Agency (“FEMA”). The FEMA funding has been coming in fits and starts due to documentation issues and other delays. As a result, the COVID-19 Emergency Loan committee, comprised of Mr. Hopkins, Robin Ford and Frank Troy, agreed to extend the Salem’s repayment from time to time over the last nine months. Last month the committee agreed to a new repayment schedule of \$100,000 every other week until the loan is paid in full. Mr. Hopkins added that he hopes that he will be able to announce at next month’s meeting that the loan has been repaid in full.

4. The Village Drive Healthcare Urban Renewal project, financed by the Authority to construct a low and moderate income assisted living facility in Millville, is nearing completion after about 18 months of delays but is still awaiting an elevator part and a few other minor completion items. It is believed that the construction will be completed by June.
5. Coronavirus News
  - a. With COVID-19 once again trending down in New Jersey and leveling off around the country, and amid concern of the increase in more contagious variants, on April 15<sup>th</sup> Governor Murphy signed an Executive Order extending the COVID-19 public health emergency for an additional 30 days. This is the 14<sup>th</sup> time he has extended his original order since his declaration of a public health emergency on March 9, 2020. The Governor recently stated he expected fewer restrictions are on the horizon due to the decrease in cases and the fast pace of vaccinations in New Jersey, however, mask mandates and social-distancing guidelines remain in effect.
  - b. As of April 20, 2021, there were 2,114 people hospitalized with COVID-19 in New Jersey, down significantly from the peak of 8,270 on April 14, 2020. Since the first case in March 2020, 865,733 New Jersey residents have tested positive for COVID-19 and 25,271 have died of confirmed or probable COVID-19. Nationally, according to the New York Times, as of April 20, 2021 there have been just over 31.8 million cases and 568,131 deaths from COVID-19 and 45,755 people were hospitalized on that date. In New Jersey 6,235,159 vaccines have been administered, with 2,589,609 people fully vaccinated. In the United States 133.3 million people have received at least one dose of the vaccines, including 86.2 million who have been fully vaccinated.
  - c. As of April 19, all people 16 years old or older are eligible to receive the vaccine.
  - d. On April 19, Governor Murphy noted that New Jersey most recently had 1,948 new daily cases, falling below 2,000 COVID-19 new daily cases for the first time since February 21.

- e. During the two weeks prior to April 1<sup>st</sup>, COVID-19 hospitalizations in New Jersey were up 28%. Notable was the fact that the trend was largely driven by more young people being hospitalized.
- f. On March 30 New Jersey was reportedly leading the nation in COVID-19 infection rates, which health officials attributed to large number of COVID variants as well as the state's dense population, colder weather and lax masking and social distancing due to COVID fatigue.
- g. On March 24, NJ Spotlight reported that variant cases in New Jersey rose 830% over the previous five weeks and only 2% of cases were being tested for new virus strains. On the same day, NJ Advance Media reported that New Jersey had 500 confirmed cases of seven different new COVID variants, 401 of which were the United Kingdom strain.
- h. Dr. Edward Lifshitz, the medical director of the New Jersey Department of Health's communicable disease service, reported 960 cases of COVID variants, with 806 of the United Kingdom strain as of April 9. He also warned that more COVID variants are likely on the way. Commissioner Persichelli said the State was trying to increase its capacity to sequence the DNA structure of positive COVID tests to better identify variants and their frequency.
- i. The United States will be setting up a \$1.7 billion national network to identify and track COVID variants to identify any variants that are more contagious, deadly or ones that are resistant to existing vaccines in hopes of avoiding another wave of the pandemic and prepare new or revised vaccines in response to variants.
- j. Three articles are provided featuring Cathy Bennett, CEO of the New Jersey Hospital Association, reflecting on the one-year anniversary of peak hospitalizations for New Jersey hospitals. Ms. Bennett notes that the cooperation and collaboration of hospitals, that would normally be competing with one another, saved an estimated 66,000 patient lives. The articles also look ahead at how New Jersey patients will benefit from the lessons hospitals learned during the pandemic.
- k. In an article in The Bond Buyer, Kaufman Hall & Associates cautions that the COVID-19 pandemic could depress not-for-profit hospitals finances for the duration of 2021. It estimates that hospitals could end the year with overall margins down 10% to 80% compared to pre-pandemic levels.
- l. RWJBarnabas Health launched an integrated, multi-disciplinary program to treat those with persistent COVID-19 symptoms in October at Saint Barnabas Medical Center. The program has evolved into the Post-COVID Comprehensive Assessment, Recovery and Evaluation (CARE) program incorporating 17 different specialties with enrolled patients provided with a nurse navigator to connect them with appropriate specialists.

- m. Pfizer/BioNTech announced that its vaccine continues to be 91.3% effective against COVID-19 up to six months after vaccination, according to its ongoing late-stage study of more than 44,000 volunteers. However, the Pfizer CEO said on April 15<sup>th</sup> that people will likely need a third “booster” shot six to 12 months after they are fully vaccinated. Another, early-stage study indicates the vaccine is also safe and effective for children as young as 12.
- n. AstraZeneca said its vaccine was 76% effective in preventing symptomatic cases of COVID-19, correcting an earlier estimate that it was 79% effective. It also reiterated that the vaccine appears to be 100% effective in preventing severe disease and hospitalization.
- o. Administration of Johnson & Johnson’s Janssen COVID-19 vaccine has been paused in New Jersey and most of the country due to a recommendation by the CDC and FDA after six women between the ages of 18 and 48 experienced blood clots after receiving the vaccine, with one blood clot leading to a fatality. Over 6.8 million doses of the vaccine had been administered in the country prior to the pause. Due to the low incidence of blood clots, it is expected that the pause is likely to be lifted, perhaps as early as this week, but with warnings or a limitation on who should receive the vaccine.
- p. Regeneron Pharmaceuticals released the results of its phase three trial of Remdesivir in late March. When used early in the treatment of those diagnosed with COVID-19 at high risk of developing severe disease, Remdesivir was found to reduce hospitalization or death by 70% and reduced the average hospital stay from 14 to 10 days.

#### 6. New Jersey Hospital and Health Care News

- a. The New Jersey Department of Health released its State fiscal year 2022 Charity Care, Graduate Medical Education and Graduate Medical Education Supplemental funding distributions totaling over \$731 million.
- b. Governor Murphy’s 2022 budget includes \$500,000 to study whether University Hospital, which is the principal teaching hospital for Rutgers New Jersey Medical School, should build an expansion or an entirely new campus to better serve the residents of greater Newark and the Rutgers University Biomedical and Health Sciences program. University Hospital CEO, Dr. Shereef Elnahal, believes the 42-year-old University Hospital needs a new modern facility costing \$1 billion to adequately serve the needs of the area. The Rutgers University Biomedical and Health Sciences Chancellor, the Lieutenant Governor, the Mayor of Newark and several other area political leaders support the study and agree a more modern facility is necessary. The 519-bed University Hospital is the State’s only truly public hospital and houses one of only three Level 1 Trauma Centers in the State.

- c. On April 8th, the municipalities of Elizabeth, Livingston, Plainsboro and Vineland filed suit in Mercer County Superior Court seeking to block the law signed by Governor Murphy on February 22<sup>nd</sup> that restored the property tax exemption for nonprofit hospitals but required an annual community service contribution of \$3 per bed per day and \$300 per satellite emergency room per day.
- d. A proposed law passed by both the State Assembly and Senate would require nursing home owners to be subject to more scrutiny when purchasing nursing homes in New Jersey, including a public hearing if the purchaser is an out-of-state entity. This is one of several pieces of legislation that has come out of a consultant's report to the Department of Health about the shortcomings at nursing homes that endangered residents during the height of the COVID-19 pandemic.
- e. Atlantic Health CEO and former chair of the American Hospital Association Brian Gragnolati discussed the future of hospitals and health care with Tom Bergeron for ROI-NJ. He touched on COVID-19, population health, innovation and partnering.
- f. Hackensack University Medical Center and Morristown Medical Center were among the top 200 hospitals in Newsweek's 2021 list of World's Best Hospitals.
- g. Deborah Heart and Lung Center is about to break ground on \$100 million capital improvement project funded largely by an \$88.2 million loan from the U.S. Department of Agriculture's Community Facilities Direct Loan and Grant Program. The construction will add three new floors on top of the existing hospital, including two new in-patient floors with private rooms and will also convert Deborah's existing semi-private rooms to private rooms. A new pharmacy clean-room, upgrades to the cardiac catheterization labs, new construction and new technology in the electrophysiology labs as well as mechanical space is also part of the improvements. Construction is expected to be completed by the end of 2022, Deborah's 100<sup>th</sup> anniversary.
- h. Capital Health and Temple University Hospital have entered into an affiliation agreement for liver transplant and advanced surgical services. Capital Health patients will be able to receive liver transplants at Temple University Hospital in Philadelphia but get pre- and post-transplant care and related diagnostic tests at Capital Health Medical Center in Hopewell.
- i. Saint Peter's University Hospital and Horizon Blue Cross Blue Shield of New Jersey have settled their nearly six-year legal battle over Saint Peter's exclusion from the top tier of Horizon's OMNIA plan. Saint Peter's will be included in OMNIA's Tier I hospital group starting May 1, 2021.
- j. Hackensack Meridian Health is developing an 80,000 square foot medical office building with an imaging center, urgent care center and ambulatory surgery center in Clifton adjacent to the Hackensack Meridian School of Medicine.



- k. The Hackensack Meridian School of Medicine will be graduating its first class of medical students in June. The 18 students were part of a three-year accelerated medical degree program. All of the graduates were matched to residency programs within the Hackensack Meridian Health system with 10 going to Hackensack University Medical Center, six to Jersey Shore University Hospital and one each to JFK Medical Center and Ocean Medical Center.
- l. The New Jersey Housing and Mortgage Finance Agency is expanding its program that pays hospitals to build affordable housing in their communities. The budget for the program has increased from \$12 million to \$30 million. It provides up to \$4 million on financial incentives for each project. In Newark, RWJBarnabas Health is planning 65 to 70 rental units for residents earning 60% or less of the area median income and is expected to provide healthy food and medical services on site. Also in Newark, University Hospital is planning a 75-unit residence for low-income individuals with an 8,000 square foot clinical space on site. In Paterson, St. Joseph's Medical Center was one of the first to construct low-cost housing under the program. Three other yet-to-be-identified projects are also in the works.

## 7. Ratings Agency Actions and Publications

- a. Moody's Investors Service has affirmed its rating of "Ba1" on approximately \$134 million debt of Saint Peter's University Hospital issued by the Authority. Moody's also revised Saint Peter's outlook to "Positive" from "Stable" on the expectation of volume recovery from the pandemic and the belief that Saint Peter's will benefit from the recently enacted County Option Hospital Fee Pilot Program which starts in July of 2021 and will fund some of the service area's demographic and societal needs.
- b. On March 24, 2021, Moody's Investors Service also released a "Sector Profile" on not-for-profit and public healthcare for the year end 2020 which indicated that the pandemic drove a decline in profitability but liquidity improved, largely from the CARES Act funding, Medicare advance payments and deferral of payroll taxes, pension contributions and capital projects. Median cash on hand in 2020 increased by 44 days to 246.9 but median operating margins fell to 0.5% compared to 2.4% in 2019.
- c. Fitch Ratings released a Fitch Wire on March 24, 2021 stating that the American Rescue Plan (ARP) would subtly improve the revenue profile and reduce the cost pressures for not-for-profit hospitals. While the ARP did not provide direct payments to hospitals, except those in rural areas, it will support hospital revenues by reducing the number of uninsured by further subsidizing health care coverage and provides additional funding and incentives for states that have not already done so to expand Medicaid coverage. These are considered credit positives by Fitch.

## 8. National Health Care News

- a. Consulting firm Kaufman Hall reported that hospital operating margins remained slim in February 2021 with the median at negative 0.5%, not including federal pandemic aid, and only 0.4% including pandemic aid. There were significant declines in overall revenue for both inpatient and outpatient services, not including the federal aid and adjusted discharges fell 13.8%, adjusted patient days fell 8.3% and emergency department visits fell 26.8 compared to February of 2020. Additionally, expenses increased.
- b. On the flip side of that coin, Kaiser Health News found that many of the nation's largest and richest health systems thrived from the federal pandemic relief funding in 2020. Those having millions of dollars in surpluses included Baylor Scott & White Health, the Mayo Clinic, University of Pittsburgh Medical Center Health System and NYU Langone Health, while poorer hospitals that served rural and minority populations suffered financially. The lopsided distribution was caused largely by the allotment of initial pandemic aid to hospitals based on each hospital's past revenue which favored hospitals with more privately insured patients over those with governmental insurance.
- c. According to a Health Affairs study using federal data of 4,600 hospitals from 2018, nonprofit hospitals spent less on charity care than for-profit and government hospitals. It is estimated the nonprofit hospitals spent \$2.30 of each \$100 in expenses on charity care while for-profit hospitals spent \$3.80 and government hospitals spent \$4.10.
- d. The pandemic accelerated the migration of many surgical procedures to outpatient settings; however, hospitals are not rushing to buy existing Ambulatory Surgery Centers (ASC) but are instead partnering with large ASC chains to develop new centers or are opening ASCs of their own.

## 9. Bond and Tax Legislation and Regulatory News

- a. The Internal Revenue Service (IRS) has named Sunita Lough to head the Tax-Exempt and Government Entities Division. Ms. Lough previously served as head of the Tax-Exempt and Government Entities Division from 2014 through September 2019 and most recently was IRS Deputy Commissioner for Services and Enforcement since September 2019.
- b. A bill reinstating advance refundings of tax-exempt bonds and tripling the cap on bank-qualified bonds, both of which would benefit our borrowers, has been reintroduced in Congress and is being given a good chance of being incorporated in the highly touted infrastructure legislation.
- c. In a White Paper, the National Federation of Municipal Analysts is calling for targeted emergency event disclosures from State and local governments following

the COVID-19 pandemic. In the view of these municipal bond analysts, traditional disclosure practice did not adequately address the material impact the COVID-19 pandemic had on issuers' financial health and they want future similar large-scale, fast moving emergencies disclosed in a more timely manner.

#### 10. Authority News

- a. Yesterday was Administrative Professionals Day and Mr. Hopkins acknowledged the outstanding contributions of Jessica Rinderer, the Administrative Assistant for the Division of Operations, Finance and Special Projects, Tracey Cameron, the Administrative Assistant for both the Division of Project Management and the Division of Research, Investor Relations and Compliance and his Executive Assistant and the Authority's Office Manager Cindy Kline. Mr. Hopkins thanked them and said that their performance has been outstanding over this past difficult year when we had to adjust to working remotely due to the pandemic.

As there was no further business, Dr. Kazmir asked for a motion to adjourn. After a motion by Mr. Lovell and a second by Mr. Brown the Members voted unanimously to adjourn the meeting at 10:39 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 APRIL 22, 2021.

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Cindy Kline, Assistant Secretary