

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on March 25, 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)

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, Jessica Waite, Bill Lohman 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; Tamara Cunningham, RWJBarnabas Health

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 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 February 25, 2021 Authority Meeting

Minutes for the Authority's February 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. Ms. Ford seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. All Members voted in the affirmative and the minutes were approved.

2. NEGOTIATED BOND SALE REQUEST Tapestry Cooper River, LLC

Dr. Kazmir asked Edwin Fuentes to present for a negotiated sale in the form of a limited public offering on behalf of Tapestry Cooper River, LLC to the Members.

Mr. Fuentes began by introducing Ram Patel and Kam Modh from Tapestry Cooper River, LLC, who were participating by telephone.

Mr. Fuentes advised the Members that his presentation was a request to proceed with the use of a negotiated sale in the form of a limited public offering for the proposed tax-exempt financing for Tapestry Cooper River, LLC (“Tapestry Cooper”).

According to Mr. Fuentes, Tapestry Cooper is a for-profit, single purpose limited liability company as well as the owner and developer of the proposed project presented to you today. Tapestry Cooper has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt negotiated sale of approximately \$35 million, issued in the form of a limited public offering. Proceeds of the transaction are expected to be used to: 1) fund the construction of a 107,000 square foot assisted living and memory care facility in Pennsauken, NJ, consisting of 74 assisted living units and 27 memory care units; 2) fund a debt service reserve fund, to the extent required; 3) fund a capitalized interest account, if necessary; and 4) pay the related costs of issuance.

Mr. Fuentes explained that tax-exempt financing is available as a result of Tapestry Cooper’s agreement to qualify its facility as a residential rental project under Section 142(d) of the Internal Revenue Service Code and require that a certain number of its units be rented to low and moderate income individuals or families and the allocation of a portion of the state’s volume cap.

Mr. Fuentes informed the Members that Tapestry Cooper has asked that the Authority permit the use of a negotiated sale based on: sale of a complex or poor credit and 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.

Mr. Fuentes concluded by saying that the Authority staff recommends the consideration of the resolution, that was included in the Members’ meeting materials, approving the use of a negotiated sale in the form of a limited public offering for the Series 2021 Bonds, and forwarding a copy of the justification in support of said resolution to the State Treasurer.

Mr. Fuentes offered to answer any questions for the Members.

Dr. Kazmir asked for a motion to approve a negotiated sale in the form of a limited public offering on behalf of Tapestry Cooper River, LLC. Mr. Lovell offered 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 then called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. UU-31

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. UPDATE ON PROJECT STATUS

Village Drive Healthcare Urban Renewal, LLC

Dr. Kazmir called upon Bill Lohman to provide the Members with an update on the project status of the Village Drive Healthcare Urban Renewal, LLC assisted living facility.

Mr. Lohman reported that the installation of final finishes and equipment is continuing towards the completion of the project at Village Drive, located in Millville, New Jersey.

Mr. Lohman said that the final inspections for various aspects of the project are complete, including: the Fire Alarm, the Rough Electrical installation, and the Above Ceiling Inspections. Additional inspections are being scheduled as the work is completed in other areas of the building to eventually acquire a Certificate of Occupancy from the Millville Building Department.

Mr. Lohman concluded by informing the Members of an issue that is affecting the overall project schedule. There is an elevator machine component that sustained water damage after installation. The contractor and owner are coordinating the delivery of this replacement part from the manufacturer.

Mr. Lohman said that he would be happy to answer any questions from the Members.

4. AUTHORITY EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Ms. Rodriguez 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-32

WHEREAS, the Members of the Authority have reviewed the memoranda dated March 17, 2021 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$24,291.00 and \$17,757.62 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

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. 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 \$1,100,000 to date leaving a balance of \$320,789. 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, has agreed to extend the Salem's repayment from time to time over the last nine months. Last week the committee agreed to a new repayment schedule of \$100,000 every other week until the loan is paid in full.
2. Coronavirus News
 - a. With COVID-19 cases slightly on the increase in New Jersey, at least partially due to more contagious variants originating in Brazil, South Africa and the U.K., on March 17th Governor Murphy signed an Executive Order extending the COVID-19 public health emergency for an additional 30 days. This is the 13th time he has extended his original order since his declaration of a public health emergency on March 9, 2020. On March 19, 2021, the Governor increased indoor and outdoor gathering limits from 25 to 50 and increased capacity limits to 50% for restaurants, gyms and health clubs, recreational facilities and arcades but keeping mask mandates and social-distancing guidelines in effect.

- b. As of March 23, 2021, there were 2,136 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, 774,100 New Jersey residents have tested positive for COVID-19 and 24,262 have died of confirmed or probable COVID-19. Nationally, according to the New York Times, as of March 23, 2021 there have been just over 29.9 million cases and an unimaginable 543,479 deaths from COVID-19 and 38,565 people are hospitalized. In New Jersey 3,638,002 vaccines have been administered, with 1,289,353 people fully vaccinated. In the United States 83.9 million people have received at least one dose of the vaccines, including 45.5 million who have been fully vaccinated.
- c. In addition to health care workers, long-term care facility residents, people over 65 and those with a BMI over 30, cancer, chronic kidney disease, COPD, Down syndrome, certain heart conditions, sickle cell disease and Type 2 diabetes, New Jersey added teachers (began March 15th) and essential workers (starting March 29th) to those eligible to receive the COVID-19 vaccine as well as those with 11 additional medical conditions (began March 15th): asthma, cerebrovascular disease, cystic fibrosis, hypertension, immunocompromised state, neurologic conditions, liver disease, overweight (includes those with a BMI over 25), pulmonary fibrosis, thalassemia and Type 1 diabetes.
- d. Five articles by Lilo Stainton of NJ Spotlight have been provided on: (i) New Jersey officials assessing the year of COVID-19; (ii) why COVID-19 could affect public health for years to come; (iii) some light at the end of a long tunnel for long-term care; (iv) after early stumbles, state hotline delivers more vaccination appointments for seniors; and (v) variants are complicating factors in New Jersey's COVID-19 battle plan.
- e. At the beginning of March, global COVID-19 cases started to rise for the first time in six weeks.
- f. On February 27th, Johnson & Johnson's single dose COVID-19 vaccine was approved for Emergency Use Authorization. Third phase trials indicate it is 66.3% effective against the virus and prevented 100% of hospitalizations and deaths. Doses began shipping on February 28th. At the behest of the White House, rival Merck will assist in the manufacture of the Johnson & Johnson vaccine, with the goal of producing 100 million doses by the end of June.
- g. After Pfizer/BioNTech submitted additional data showing its vaccine could remain stable at typical pharmaceutical freezer temperatures, the Food & Drug Administration approved storage of the Pfizer vaccine at those temperatures rather than the specialty ultra-low temperature freezers.
- h. A lab study conducted by researchers from Pfizer, BioNTech and the University of Texas indicates that the Pfizer/BioNTech vaccine is 95% effective against the

Brazil variant of COVID-19. It also found “strong” neutralization of the U.K. variant but the neutralization of the South Africa variant was lower but “robust.”

- i. According to a small study conducted by researchers at Columbia University, the Moderna and Pfizer/BioNTech vaccines were 12.4 times and 10.3 times, respectively, less effective against the South African variant of COVID-19.
- j. The Brazilian variant of COVID-19 is more likely to reinfect people who have already had earlier versions of the virus. Also, vaccine antibodies from Moderna and Pfizer/BioNTech can pass through breast milk.
- k. On March 8th, the Centers for Disease Control and Prevention (“CDC”) issued a guidance that said fully-vaccinated people can gather with other fully vaccinated people indoors without wearing masks or social distancing.
- l. On March 10th, Commissioner Persichilli announced that New Jersey had confirmed its first case of the South African COVID-19 variant in Hudson County. The variant is more contagious and appears to be more resistant to existing vaccines. On the same date there had been two documented cases of the Brazil variant in New Jersey (also Hudson County) and 142 cases of the U.K. variant

3. New Jersey Hospital and Health Care News

- a. The U.S. News & World Report ranked New Jersey as the fourth best state for health care and second best state in the subcategory of public health.
- b. Governor Murphy’s State Fiscal Year 2022 Budget includes \$20 million to provide health insurance coverage for all uninsured children and \$25 million to reduce monthly health insurance premiums for people who purchase health insurance on GetCovered.NJ.gov, the State Affordable Care Act health care marketplace. An additional \$10 million is being added for Charity Care, \$8.5 million to retain health insurance for mothers with infants under one year old, \$6.85 million for Pharmaceutical Assistance to the Aged and Disabled and Senior Gold programs to cover senior citizens previously excluded due to income, and \$4.2 million to backfill 53 staff cuts at the Department of Health.
- c. On March 1st, Governor Murphy announced the members of his Health Care Affordability Advisory Group, established under Executive Order No. 217. The group’s objective is to advise the Health Care Affordability Interagency Workgroup, chaired by Shabnam Salih, Director of the Office of Health Care Affordability and Transparency, on the development and implementation of health care cost benchmarks which will provide an opportunity for increased oversight and accountability and advance the Administration’s efforts to provide more accessible, affordable and transparent health care to New Jerseyans. It

includes highest level representatives of medical groups, insurers, hospitals, pharmaceutical companies, consumer advocates and employers.

- d. The Authority has learned that Grant Leidy, CFO of Deborah Heart and Lung Center, has retired after many years of service. Peggy Dowd will be serving as interim CFO.
 - e. The Federal Trade Commission (“FTC”) has dropped its challenge to the merger between Jefferson Health and Einstein Healthcare Network. The merger will increase Jefferson Health from 14 hospitals to 18 hospitals in southeast Pennsylvania and southwest New Jersey, including Jefferson Health New Jersey’s hospitals in Cherry Hill, Stratford and Washington Township. The FTC had argued that the merger would be anticompetitive and increase health care costs in the region but dropped its challenges after federal trial and appeals courts found insufficient evidence for the FTC’s case.
 - f. Jefferson Health is also partnering with General Catalyst and Tendo to launch a digital health engagement platform that connects patients, caregivers and clinicians.
 - g. Jersey’s Best and Castle Connelly Top Doctors surveyed more than 1,000 doctors across the State and incorporated patients’ post-discharge ratings to identify New Jersey’s 2021 Top Hospitals. Fifteen Top Hospitals were identified in both over 350 beds and under 350 beds.
 - h. Kevin Conlin retired as Chairman of Horizon Blue Cross Blue Shield of New Jersey on March 15th. Mr. Conlin joined Horizon in 2012 and took over as CEO in November of 2017. He stepped down as CEO in February of 2020 and became Executive Chairman in April of 2020.
4. Ratings Agency Actions and Publications
- a. Moody’s Investors Service and S&P Global Ratings have assigned ratings of “Aa3” and “AA”, respectively, to approximately \$203.3 million bonds being issued by the Pennsylvania Higher Education Facilities Authority on behalf of the University of Pennsylvania Health System, parent of Penn Princeton Medical Center. The rating agencies also affirmed their “Aa3” and “AA” rating on other bonds issued by and on behalf of the University of Pennsylvania Health System, including those issued by our Authority. Both ratings agencies also said the outlook was “Stable.”
 - b. Fitch Ratings has withdrawn ratings on various bonds of Trinity Health or its legacy predecessor Catholic Health East due to pre-refunding activity or absence of sales, including 2009 bonds issued on behalf of Catholic Health East by our Authority, which have been defeased.

- c. On March 10th, S&P Global Ratings released a report finding that the default risks for U.S. hospitals have fallen since their peak during the early days of the COVID-19 pandemic one year ago.
- d. On March 11th and March 17th, respectively, Moody's Investor Service and S&P Global Ratings released "Sector Comments" that the American Rescue Plan's \$1.9 trillion stimulus package will provide a temporary boost to the health care sector.

5. National Health Care News

- a. An article in Health Affairs posits that, based on the fact that health care systems made such a big difference in the COVID-19 fight, it might be time to reconsider their social impact. The two authors noted that the consolidation of hospitals has provided health systems with scale and geographic reach. Mentioning, among other systems hit hard by COVID-19, Hackensack Meridian Health, the systems identified their ability to respond at scale as a system was essential to their effectiveness against the initial wave and continuing response. At the outset, the large systems' market clout enabled them to negotiate for PPE, other important supplies and equipment needed to treat patients as well as flexibility to quickly increase capacity, including in ICUs. Investments in data and telehealth enabled patient tracking and ways to diagnose patients without them coming in to overrun hospitals. Now the wide reach of the large systems is helping to distribute vaccines more quickly into the communities they serve. The authors concluded that health system consolidation overall aided the fight against COVID-19 and the systems should be encouraged to take a broader public health role by collaborating with local public health entities to facilitate infectious disease surveillance and immunizations, data gathering and analysis from anonymized electronic health record data bases, and assist in actions that address inequities and social determinants which lead to health problems.
- b. Two articles are included on the rule, effective January 1, 2021, from the Center of Medicare & Medicaid Services ("CMS") requiring hospitals to post the prices it negotiates with insurers. One notes that the majority of the largest hospitals are "unambiguously noncompliant." The other discusses how complicated it is to interpret their prices and provides a guide.
- c. CMS's Office of Inspector General ("OIG") has noted that hospital stays are getting more expensive for Medicare. Noting that the number of inpatient stays at the highest severity level increased 20% from 2014 to 2019 and other lower-severity level stays decreased. During the same period the length of stays for the highest severity level decreased with stays for other lower-severity levels remaining relatively unchanged. This pattern could mean that hospitals are possibly inappropriately upcoding patients, i.e. classifying them as a higher level of severity or with complications or co-morbidities, to get higher payments from Medicare. The OIG is recommending CMS do a targeted review of hospital

inpatient stays that are vulnerable to upcoding and hospitals that are the worst offenders of the practice.

- d. The Medicare Hospital Insurance Trust Fund, from which Medicare Part A payments are made, is projected to run out of funds between 2024 and 2026. Extending the trust fund's solvency for another 10 years is estimated to cost \$600 billion. There is a fear among providers that CMS will have to delay or reduce payments if the trust fund does not receive an additional appropriation or Medicare payroll tax deductions are not increased.
 - e. A report in the American Economic Review compared markets where hospital mergers occurred between 2000 and 2010 with markets that did not experience mergers. The study found in markets where mergers greatly increased hospital concentration, nurses and pharmacy workers' wages were 6.8% lower and skilled worker wages were 4% lower than in markets that did not experience a merger. The FTC has indicated it intends to consider wage pressure in addition to competition and health care costs when it reviews hospital mergers in the future.
6. Bond and Tax Legislation and Regulatory News
- a. Bipartisan bills to expand the use of tax-exempt and other tax-advantaged bonds are working their way through Congress. Among the most important and promising is a bill to reinstate advance refundings of tax-exempt bonds that was eliminated by the Tax Cut and Jobs Act of 2017. The bill is sponsored by Senator Roger Wicker (R-Miss.). Another proposal relevant to our Authority is increasing Bank Qualified Bonds to \$30 million from \$10 million, with the \$30 million limit applied to the borrower and not to issuer. A similar provision existed temporarily about a decade ago as part of the Recovery Act. Several municipal bond and local government trade associations are supporting the changes, including our trade association, the National Association of Health and Educational Facilities Finance Authorities.
 - b. The Government Finance Officers Association and the National Association of Bond Lawyers ("NABL") have separately released new guides and are offering expert advice to help municipal bond issuers navigate the transition away from the London Inter-Bank Offering Rate ("LIBOR"), which is used as an index in setting municipal bond variable interest rates and in setting swap and derivative rates. LIBOR was scheduled to be discontinued at the end of 2021; however, it is now being phased out through June 30, 2023. NABL panelists said "the general rule under the proposed IRS regulations is that amendments to documents to replace existing rate LIBOR with a qualified rate will not result in reissuance if the fair market value of the alternative instrument is substantially equivalent to the fair market value of the unaltered instrument." The most common qualified replacement rate to LIBOR is the Secured Overnight Financing Rate ("SOFR").

- c. New research by University of California, Berkeley Haas School of Business Assistant Professor Omri Even-Tov indicates that the average transaction fee paid by retail investors to buy or sell corporate bonds fell 5% after regulators forced brokers to disclose their markup fees. The fee disclosure regulation took effect for some corporate and municipal bond trades in May of 2018. The research did not examine markup fees on municipal bonds.

7. Authority News

- a. Mr. Hopkins wished everyone a joyous Passover and a Happy Easter.

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 10:36 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 MARCH 25, 2021.

Cindy Kline, Assistant Secretary