

Minutes of the New Jersey Health Care Facilities Financing Authority regular Meeting held on July 28, 2022 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following *Authority Members* were in attendance:

Bridget Devane, Public Member; via telephone: Manny Paulino, Designee of the Commissioner of Banking and Insurance; Greg Lovell, Designee of the Commissioner of Human Services; David Brown II (chairing); Tom Sullivan; and Dr. Munr Kazmir, Public Members

The following *Authority staff members* were in attendance:

Mark Hopkins, Cara Lahr, Cindy Kline, Bill McLaughlin, Frank Troy, Alpa Patel, Ron Marmelstein and Taryn Rommell; via telephone: Edwin Fuentes, Tracey Cameron, and Jessica Waite

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

Stephanie Gibson and George Loeser, Attorney General's Office; Dorian Smith, Governor's Authorities Unit

## **CALL TO ORDER**

Mr. Brown called the meeting to order at 10:03 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 26, 2022 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 June 23, 2022 Authority Meeting**

Minutes for the Authority's June 23, 2022 Meeting were distributed for review and approval prior to the meeting. Mr. Brown asked for a motion to approve the minutes. Dr. Kazmir made the motion. Mr. Lovell seconded. Mr. Brown 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 for Ms. Devane, who abstained. The minutes were approved.

### **2. APPROVAL OF ENGAGEMENT OF A FINANCIAL ADVISOR**

Mr. Brown called on Bill McLaughlin to present to the Members the details of the request for approval of engagement of a financial advisor.

Mr. McLaughlin thanked Mr. Brown.

He then stated that at its meeting on June 23, 2022, Members approved the form of Request for Proposals (“RFP”) to provide financial advisory services to the Authority. Staff distributed the RFP via email to each financial advisory firm on the Authority’s list of approved financial advisory firms. The RFP was also posted on the Authority’s website and the State’s procurement website.

Mr. McLaughlin then informed the Members that Staff had conducted a Mandatory Bidders Conference on July 13, 2022, with all firms that had contacted the Authority to affirm their intent to submit a proposal. Proposals were due to staff not later than July 21, 2022 at 4:00 P.M. Only one firm elected to submit a proposal, PFM Financial Advisors LLC (“PFM”).

Public Financial Management, Inc., a former affiliate of PFM Financial Advisors LLC, was founded in 1975 with the mission of providing independent financial advice to state and local governments, and governmental agencies and authorities when bringing debt to the market or undertaking capital planning and budgeting. PFM has one of the largest financial advisory teams in the public finance industry, maintaining an expansive national presence. PFM currently has more than 300 employees, including 209 financial advisory personnel, located in 31 offices and locations throughout the United States, including its principal office in Philadelphia, PA, as well as an office in Princeton, NJ.

The staff RFP evaluation committee, comprised of Mark Hopkins, Bill McLaughlin and Edwin Fuentes, assessed the proposal based on the following criteria:

- Capabilities presented encompassing items described in the RFP
- Cost of services, focusing primarily on proposed fee schedule
- Understanding of and adherence to the guidelines defined within the RFP
- Anticipated timeline for 10 year study of NJHCFFA market performance versus other health care issuers
- Previous experience working with the Authority, if any
- Previous experience working with other similar municipal bond finance authorities or agencies either in New Jersey or in other states
- Previous experience in working with other similar health care municipal securities financings either in New Jersey or in other states
- State of New Jersey business presence
- Status as a Small Business Enterprise, as certified by the State of New Jersey

#### RECOMMENDATION:

Mr. McLaughlin stated that the evaluation committee reviewed the submitted proposal utilizing the previously noted criteria, and found that PFM is highly qualified and has demonstrated the required experience to undertake the services outlined in the RFP.

Given the complex nature of the engagement as initially proposed, staff recommends approving PFM to conduct the ten year study of this Authority's market performance versus other health care issuers. Specifically, preparing a report and presentation compiling the Authority's publicly offered municipal securities transactions over the past ten years, containing an estimate of any savings achieved (or additional costs incurred) by NJHCFFA borrowers compared to pricing of other contemporaneous similarly-rated health care municipal securities transactions. PFM's quoted proposed fee for this singular engagement is \$60,000. This amount is within the Authority's budget. Staff recommends that the Authority Members approve the engagement of PFM for the 10 year study only at this time at a fee not to exceed \$60,000.

Given that total fees quoted in PFM's proposal were in excess of what the Authority has budgeted for a financial advisor, Staff plans to negotiate with PFM for the other services, seeking better pricing or perhaps reducing the scope of work for some or all of the other services or eliminating some of the other services proposed. Staff expects to return to the Authority Members at a future meeting to seek approval of any renegotiated fees and/or scope of services.

He reminded the Members that should they have any questions, comments or concerns regarding this recommendation or the RFP process in general, either he or Mark Hopkins will be pleased to respond.

Mr. Lovell asked what role the financial advisor will play in the daily activities of the Authority.

Mr. Hopkins said that the Authority was not approving that portion of the RFP or proposal at today's meeting, but it is intended that they would act as an IRMA financial advisor for each of the Authority's publicly issued bond transactions and possibly for privately-placed transactions, for which they quoted an individual fee for each. The Authority also wanted to engage them to provide the Authority with ongoing and annual advice with respect to interest rates, yields, and indexes around the municipal bonds market on a weekly basis, and to notify the Authority of new products and analysis on those matters.

Mr. Hopkins continued by saying that there were also several items that were quoted as hourly fees, for instance if the Authority wanted to ask them if a potential HCFFA borrower wanted to or did issue bonds either on a taxable basis or issue bonds by another authority (perhaps an out-of-state authority), they could give us an analysis of what that financing would have yielded should it have been done through this Authority. There were many individual items like that that were quoted at an hourly rate. The Authority budgeted approximately \$100,000 in special projects for a financial advisor. The combination of those would have far exceeded that budget so the budget for the study of ten years of the Authority's finances compared to other health care financings around the country that were done contemporaneously was within what the Authority thought it would be and therefore the Authority thinks it is reasonable. The Authority is hoping to have that done by September 15.

Mr. Hopkins asked Mr. Lovell if his response answered his question. Mr. Lovell confirmed that it did, and that he had a follow-up question.

Mr. Lovell asked if the advisor role is new, or if this role is replacing someone.

Mr. Hopkins said that no position in the Authority is being replaced by this role. Mr. Hopkins said that because the Authority has reduced its project management staff significantly and the

Authority no longer subscribes to certain interest rate reporting companies. Those subscriptions were almost \$900 per month. The Authority saw an opportunity to save money in that area. The Authority also wanted to have an independent financial advisor because, while Mr. McLaughlin and Mr. Fuentes do comparables and look at other financings around the country, he thought an independent advisor would help legitimize the Authority's belief that the Authority saves its borrowers money as compared to other issuers around the country. Also, it is a value-add to the borrowers, either serving them through the Authority or backing up their financial advisor or underwriter.

Mr. Brown then asked for a motion to approve the engagement of a financial advisor. Dr. Kazmir made the motion. Ms. Devane seconded. Mr. Brown asked if the Members had any questions on the motion. There were no questions. All Members voted in the affirmative and the resolution was approved.

#### **AB RESOLUTION NO. 2022-07-A**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves a resolution entitled **A RESOLUTION AUTHORIZING THE ENGAGEMENT OF PFM FINANCIAL ADVISORS LLC TO PREPARE A REPORT AND PRESENTATION COMPILING THE AUTHORITY'S PUBLICLY OFFERED MUNICIPAL SECURITIES TRANSACTIONS OVER THE LAST TEN YEARS WHICH CONTAINS AN ESTIMATE OF ANY SAVINGS ACHIEVED (OR ADDITIONAL COSTS INCURRED) BY AUTHORITY BORROWERS COMPARED TO PRICING OF OTHER CONTEMPORANEOUS SIMILARLY-RATED HEALTH CARE MUNICIPAL SECURITIES TRANSACTIONS**

*(attached)*

#### **3. VILLAGE DRIVE HEALTHCARE URBAN RENEWAL, LLC – REQUEST TO APPROVE EXECUTION OF AMENDMENT AND RESTATEMENT OF SECOND INTERCREDITOR AND SUBORDINATION AGREEMENT WITH CAPITAL IMPACT PARTNERS**

Mr. Brown called on Taryn Rommell to present a request for approval to execute an amendment and restatement of a second intercreditor and subordination agreement with Capital Impact Partners.

Ms. Rommell began by saying that the Authority issued \$23 million in bonds on September 14, 2018 on behalf of Village Drive Healthcare Urban Renewal LLC (the Borrower) which was to be used with other funds to construct a low-income assisted living facility in Millville, New Jersey.

Along with the \$23 million dollar bond issue, the plan of finance included a \$5.7 million subordinate bridge loan from Community Loan Fund of New Jersey. The Authority executed an Intercreditor and Subordination Agreement in connection with that loan.

Ms. Rommell continued by explaining that the Authority was subsequently informed by the Borrower that the bridge loan will be refinanced with a new \$5.7 million Subordinate Loan from Capital Impact Partners with more favorable terms for the Borrower. To address the proposed refinancing of the bridge loan, a Second Intercreditor and Subordination Agreement with Capital Impact Partners (“Second Subordination Agreement”) was created along with a Termination/Discharge of the Intercreditor and Subordination Agreement (“Termination”) with the Community Loan Fund of New Jersey. The Second Subordination Agreement would replace the initial Intercreditor and Subordination Agreement dated September 1, 2018. These documents were presented and approved by the Authority Members at the April 28, 2022 meeting.

However, Ms. Rommell continued, the bondholders had additional comments that they would like added to the Second Subordination Agreement. Instead of executing the revised version of the Second Subordination Agreement supplied by the borrower on July 18, 2022, as reflected in staff’s July 20, 2022 memo provided to Authority Members, the Borrower closed the Loan on July 26, 2022 using the Second Subordination Agreement already approved by the Authority members and are now asking the Authority to execute the Amendment and Restatement of Second Intercreditor and Subordination Agreement (which was provided to the Authority Members on July 22, 2022) at a later date (if approved by the Authority Members and after the Governor’s veto period has expired), which includes the bondholder’s changes and changes requested by the Attorney General’s Office and the Authority’s Bond Counsel, John Draikiwicz of Gibbons.

Therefore, Ms. Rommell said, the Executive Director executed the approved Second Subordination Agreement and Termination on July 26, 2022, once all conditions were met.

Bond Counsel John Draikiwicz and the Attorney General’s Office have reviewed the provided Amendment and Restatement of Second Intercreditor and Subordination Agreement and have no objection to the Authority Members’ consideration thereof.

A new proposed resolution, replacing the resolution attached to the July 20, 2022 memo, which approves the Amended and Restated Second Intercreditor and Subordination Agreement in substantially final form was also provided to the Authority Members on July 22, 2022. It has been amended to reflect the correct name of the document being approved, i.e. the Amendment and Restatement of Second Intercreditor and Subordination Agreement and changed the date the Second Intercreditor and Subordination Agreement and the Termination/Discharge Agreement were executed from July 25, 2022 to July 26, 2022. The revised resolution provided today approves the Amendment and Restatement of Second Intercreditor and Subordination Agreement

with such changes agreed to by Bond Counsel and the Attorney General's Office and authorizes and directs an Authorized Officer of the Authority to execute and deliver same. Staff recommends that Authority Members approve the resolution.

Ms. Rommell said that she, Mark Hopkins, or Frank Troy would be happy to answer any questions.

Mr. Brown asked for a motion to approve the execution of an amendment and restatement of a second intercreditor and subordination agreement with Capital Impact Partners. Dr. Kazmir made the motion. Mr. Sullivan seconded. Mr. Brown asked if the Members had any questions on the motion. There were no questions. All Members voted in the affirmative and the resolution was approved.

#### **AB RESOLUTION NO. 2022-07-B**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves a resolution entitled **A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDMENT AND RESTATEMENT OF SECOND INTERCREDITOR AND SUBORDINATION AGREEMENT WITH CAPITAL IMPACT PARTNERS RELATING TO THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, VILLAGE DRIVE HEALTHCARE URBAN RENEWAL ISSUE, SERIES 2018.**

*(attached)*

#### **4. AUTHORITY EXPENSES**

Mr. Brown referenced a summary of Authority expenses and invoices provided to the Members in advance. Dr. Kazmir made the motion to approve the expenses. Mr. Lovell seconded. Mr. Brown 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. The resolution was approved to approve the bills and to authorize their payment.

#### **AB RESOLUTION NO. 2022-07-C**

**WHEREAS**, the Members of the Authority have reviewed the memoranda dated July 20, 2022 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amount of

\$14,104.00 and \$12,199.25, 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 stated staff reports were distributed to the Members for review before the meeting, and asked if there were any questions, to which there were none.

Mr. Brown then asked Executive Director Hopkins to present his Executive Director's report.

Mr. Hopkins' reported as follows:

He first noted that the Authority financed Village Drive Healthcare Urban Renewal LLC low income assisted living facility received its license to open. He was told by its management that they about 55 people ready to move in and expected to move two people in per day. Mr. Hopkins was also told that an additional approximately 50 residents were in the process for being qualified for eligibility to move in. He hopes from this information that occupancy will fill quickly.

1. Save the date emails have gone out to New Jersey nonprofit hospitals, bond analysts, underwriters and counsel for the Authority's 50th Anniversary Symposium at Forsgate Country Club on Thursday, September 22, 2022. The regular public Authority meeting will begin that day as usual at 10:00 a.m. with a continental breakfast for Authority Members and staff. At 11:00 a.m. hospital and health care executives and other stakeholder guests will be joining the Authority Members and staff for the Symposium. The tentative agenda includes two educational presentations from Authority staff and/or a consultant, followed by a plated luncheon. Commissioner Persichilli will then be delivering a keynote address. The Authority will have two panel discussions from a combination of several of the following stakeholders/experts: hospital executives, bondholder representatives, underwriters and bond counsel. The Authority expects to have 60 to 100 attendees.
2. Coronavirus & Monkeypox News
  - a. On July 20th, National Nurses United, the country's largest nurses' union, sent a letter to the CDC urging it to ramp up public health restrictions to prevent the spread of COVID-19 as cases and hospitalizations rise from the highly transmissible Omicron subvariant BA.5.
  - b. The Biden administration has ordered 105 million doses of an updated variant-specific Pfizer COVID-19 vaccine for a fall campaign aimed at preventing the new, more transmissible subvariants. The updated vaccines will be subject to FDA approval.
  - c. Monkeypox cases have nearly doubled in New Jersey over the last week from 45 to 89. Nationwide there have been 3,487 monkeypox cases reported to the

CDC. The World Health Organization last week declared monkeypox a global health emergency. Last week the Department of Health stressed that vaccines are available to anyone who thinks they are at substantial risk. Monkeypox is spread mostly through skin-to-skin contact and many of the early cases have been in the gay community. Its symptoms include a blister-like rash, fever, aches including headaches and exhaustion.

### 3. New Jersey Hospital News

- a. Lester J. Owens has been named chair of the RWJBarnabas Health board. Mr. Owens is Senior Executive Vice President and Head of Operations for Wells Fargo & Co., overseeing more than 70,000 employees.
- b. Hackensack Meridian Health has named Patricia Carroll CEO of both Old Bridge Medical Center and Raritan Bay Medical Center. Ms. Carroll previously served as COO and Interim President of Palisades Medical Center and Executive Director of Children's Hospital of New Jersey at Newark Beth Israel Medical Center. She began her career at the latter facility as an NICU nurse.
- c. HealthLeaders interviewed Mary Maples, the interim CEO and President of University Hospital. Ms. Maples was previously the General Counsel and Corporate Secretary at University Hospital and prior to that served as the Director of the Governor's Authorities Unit. She joined the CIA out of college and went to school at nights to get her law degree.
- d. Inspira Health has announced that Dr. Tony Reed will start as its Senior Vice President, Chief Quality and Safety Officer on August 1, 2022. He most recently served as Chief Medical Officer at Temple University Health System.
- e. Samaritan announced that Mary Ann Boccolini will be retiring as CEO on December 31, 2022 after nearly 25 years with Samaritan. Samaritan provides hospice and palliative care services and has two inpatient hospices in south Jersey. Ms. Boccolini will be succeeded on October 1, 2022 as CEO by Phillip Heath but she will stay on until the end of the year in an advisory role. Mr. Heath is the current chair of Samaritan's board of trustees and has more than 31 years' experience with health care organizations, including as Chief Administrative Officer for Tabula Rasa HealthCare in Moorestown.
- f. Atlantic Health System CEO Brian Gagnolati has joined the health care investment firm Concord Health, where he will be an executive partner while continuing to serve in his current position at AHS. Concord Health invests in health care companies.
- g. Holy Name Medical Center received approval for its series of four stages of expansion plans from the Teaneck Township Council earlier this month.
- h. University Hospital received \$50 million in the State's 2023 fiscal year budget to pay for the fine-tuning of a plan previously proposed by Gensler and to fund design and engineering work, prepare the site and start building a new hospital complex. Gensler had previously proposed \$1.2 billion in new construction for the 43-year-old University Hospital. Many legislators and other elected officials from the region as well as unions representing University Hospital workers were hoping for a much larger investment from the State this year, when the State had a surplus.



- i. Cape Regional Medical Center in Cape May Court House will be ceasing its obstetrical services on September 15, 2022. The nearest hospital for obstetrical services will be Shore Medical Center 20 miles away in Somers Point.
- j. RWJBarnabas Health has created what it calls its Social Impact & Community Investment (“SICI”) practice. Through the SICI practice RWJBarnabas Health has worked with nonprofit regional food distributor, The Common Market, to distribute 54,800 pounds of food in 3,500 farm-fresh boxes equating to 65,760 healthy meals since the beginning of 2021. The meals were distributed in 18 towns from Jersey City to Toms River.
- k. Rutgers Cancer Institute of New Jersey and RWJBarnabas Health provide patients with the state’s largest integrated multidisciplinary network of nationally renowned oncologists, nurses and support professionals who offer the most advanced treatment options available, including clinical trials, immunotherapy, precision medicine, complex surgical procedures and sophisticated radiation oncology.
- l. Saint Peter’s University Hospital has been recognized with a Lantern Award for its emergency care of children by the national Emergency Nurses Association. The award is given to emergency departments that demonstrate “exceptional and innovative performance in leadership, practice, advocacy and research.” Saint Peter’s was also recognized by Newsweek as one of the nation’s Best Maternity Hospitals for 2022.
- m. Hackensack Meridian Health was among ten health systems with strong finances mentioned in a recent Becker’s Hospital Review article.
- n. Money, formerly Money Magazine, and the Leapfrog Group collaborated to name the best hospitals in each state. The inaugural list was released July 6th and included for New Jersey: Bergen New Bridge Medical Center, Chilton Medical Center (AHS), Deborah Heart and Lung Center, Englewood Hospital and Medical Center, Hackensack Meridian Health Pascack Valley Medical Center, Hackensack University Medical Center, Inspira Medical Center Mullica Hill, Jefferson Cherry Hill Hospital, Jefferson Stratford Hospital, Jersey Shore University Medical Center (HMH), Monmouth Medical Center (RWJBarnabas), Morristown Medical Center (AHS), Overlook Medical Center (AHS), St. Luke’s Warren Campus and Virtua Voorhees Hospital. Only hospitals that received an “A” grade from Leapfrog’s Hospital Safety Grade assessment from Fall 2021 were eligible.
- o. U.S. News & World Report ranked 15 New Jersey hospitals among the best in the nation. Their ranking in New Jersey are: 1st Morristown Medical Center (AHS); 2nd Hackensack University Medical Center; 3rd Valley Hospital; 4th Robert Wood Johnson University Hospital; 5th Overlook Medical Center (AHS); tied for 6th (alphabetically) AtlantiCare Regional Medical Center, Cooperman Barnabas Medical Center, Cooper University Health Care, Englewood Hospital and Medical Center, Jersey Shore University Medical Center (HMH), Penn Medicine Princeton Medical Center and Virtua Voorhees Hospital; tied for 13th Jefferson Health – Stratford, Cherry Hill and Washington Township and Ocean University Medical Center (HMH); 15th Virtua Our Lady of Lourdes Hospital.

- p. Former Commissioner of Health and CEO of University Hospital Dr. Shereef Elnahal was confirmed by the U.S. Senate as Under Secretary for Health of the Department of Veteran's Affairs.

#### 4. Ratings Agency Actions

- a. Fitch affirmed the "AA-" rating of bonds issued by the Authority on behalf of Hackensack Meridian Health and affirmed its issuer default rating of "AA-" on Hackensack Meridian Health itself. The rating outlook remains "Stable."
- b. Several rating agency articles were provided, including (i) a Fitch Wire noting the inflation is expected to erode not-for-profit hospital margins unless major changes are made; (ii) Moody's Investor Service's Sector Comment noting that most hospitals will likely withstand recent operating and equity market downturns; and (iii) S&P Global Comments' U.S. Not-For-Profit Acute Care Midyear 2022 Update: Providers Face Mounting Pressures from Inflation and Labor Costs.

#### 5. New Jersey Health Care News

- a. Twelve New Jersey hospitals received \$129 million more in combined State and federal funding for projects at each hospital. This is in addition to the \$815 million budgeted for charity care and training medical students.
- b. New Jersey also budgeted \$480.5 million to bolster mental health services, including \$9.6 million in funding for adding more mental health professionals, \$4 million of which will be for the Psychiatry Residency Expansion Program.
- c. The State budgeted \$20 million for planning, site work and initial construction costs of a maternal health center in Trenton to help improve birth outcomes and eliminate racial disparities in maternal and newborn health. The total cost is expected to be \$50 to \$60 million. The funding comes from the \$2.3 billion federal pandemic relief package.
- d. NJBiz published an article on how a wide array of New Jersey hospitals are moving beyond traditional radiation or chemotherapy cancer treatments into immune-cell therapy and genetic therapy.
- e. The New Jersey Hospital Association did a workplace violence survey which found that nurses, doctors and other hospital employees were physically assaulted or verbally abused nearly 10,000 times last year. It was a 15% increase in reported incidents since 2019, before the pandemic began. The State approved a bill this summer with enhanced sentencing for anyone convicted of assaulting a health care worker in the course of their duties.
- f. Thanks in part to the excellent work of Deputy Commissioner Robin Ford, nearly 300 residents of the Woodlands Behavioral and Nursing Center at Andover have been transferred to other facilities. Just over 100 residents remained in the facility as of July 15th. The State took over the facility after a court put it into receivership after Woodlands failed several state and federal inspections and, despite interventions, was unable to improve its patient care performance. The State has appointed an interim operator and, after moving the remaining residents, will wind down the facility. The Centers for Medicare

and Medicaid Services extended its Medicaid funding, which provides 92% of Woodlands revenue, from June 25th to July 25th.

#### 6. National Health Care News

- a. HFMA released an article on July 22nd arguing that the pending Medicare payment updates are inadequate in light of the current inflationary environment, especially labor cost increases. Medicare is projecting increasing its reimbursement for fiscal year 2023 by about 3.2% for inpatients and about 2.7% for outpatients while hospital costs increased 10.4% year to date through May. HFMA advocates that CMS utilize more recent data in the market-basket update than the proposed data from the fourth quarter of 2021.
- b. The Supreme Court upheld the method the U.S. Department of Health and Human Services (“HHS”) calculates payments to hospitals serving a high proportion of low-income patients known as Disproportionate Share Hospital (“DSH”) payments. DSH payments are based on the proportion of low-income, dual eligible Medicare and Medicaid patients at a hospital compared to that hospital’s total low-income patients not on Medicare. Pointing out that not all patients on Medicare have their treatment paid by Medicare, due for instance on limitations on length of stay, Empire Health Foundation argued that HHS should not take into account in the formula those patient days that are not paid by Medicare, thus reducing reimbursement. The Supreme Court disagreed and overturned a decision by the Ninth Circuit Court of Appeals.
- c. Several articles were provided on potential hospital strategies and struggles for the near future, including: (i) a survey of health care CFOs’ biggest fears, of which labor shortage and labor costs ranked high; (ii) the danger that hospitals will trip debt covenants requiring them to proactively chart a new path to sustainability; (iii) the health care business shift away from inpatient services and the shift is expected to become seismic by 2030; (iv) how health care inequities could cost the U.S. health system \$1 trillion by 2040 (see the provided Forbes article which is based on the separately provided Deloitte study) and (v) how hospital acquisitions show nursing homes are still a critical ally, with many hospital systems divesting from nursing home ownership and preferring to enter into partnerships with nursing homes (mentioning Hackensack Meridian Health’s recent sale of most of its nursing homes to Complete Care Management and Virtua’s sale of two nursing homes to Tryko Partners, where both agreed to collaborate on the continuum of care).
- d. A bipartisan group of lawmakers on the U.S. House Energy and Commerce Committee are calling for reforms and more oversight of Medicare Advantage plans that covered about 27 million Americans last year. The plans may allow for lower patient premiums and co-pays and provide more benefits than Medicare Part B plus Supplemental Insurance but may have a limited network of providers. Accusations have also been made that some Medicare Advantage plans are unreasonably impeding access to required care, improperly denying prior authorization requests or are gaming the system to receive more funding from Medicare.

- e. Amazon announced it is acquiring One Medical for \$3.9 billion. One Medical is a primary health provider with 188 medical offices in 25 markets and also provides telemedicine services. Amazon has been aggressively pursuing the health care market in the last several years. In 2018 it acquired PillPack and subsequently launched its own online pharmacy.
- f. Kaufman Hall's National Hospital Flash Report for June 2022 was provided to the Authority Members Tuesday with the articles.

#### 7. Bond and Tax Legislation and Regulatory News

- a. Yesterday, the Federal Open Market Committee of the Federal Reserve raised its target for the federal funds rate by 75 basis points to the range of 2.25% to 2.5% in an effort to tame inflation. The cumulative 150 basis increase in the months of June and July are the steepest since the Paul Volcker led the Federal Reserve in the early 1980s.
- b. The Bond Buyer published an article on a Fitch Ratings report which predicted hospitals will need to raise rates, cut costs and implement transformational changes to combat inflationary-driven pressures that are damaging margins and setting back the sector's pandemic recovery.
- c. The Municipal Securities Rulemaking Board ("MSRB") has retained Lourdes German, a Harvard lecturer and director of the Public Finance Initiative, as a visiting scholar to help research environmental, social and governance ("ESG") trends in public finance. Ms. German will use the MSRB's EMMA Labs platform to examine how money is being raised for ESG projects. She was previously a public finance attorney and a Vice President of Municipal Finance at Fidelity Investments.
- d. ISS ESG, an environmental, social and governance-focused data firm is offering a new product, the ISS ESG Muni QualityScore. The product will provide a detailed assessment of socioeconomic risks faced by 29,000 U.S. cities and towns, 341 counties, 13,500 school districts and all 50 states. It will also cover revenue bond issuing entities such as hospitals, utilities, higher education institutions and airports. The data will include risks related to infrastructure, crime, health, climate and other factors using 77 socioeconomic datasets. It will provide issuers a material view of risk when measured against its peers, according to ISS ESG.

#### 8. Authority News

- a. The Authority's Director of Research, Investor Relations and Compliance, Frank Troy, became a grandfather twice over this spring. One of his sons welcomed Brielle Marie Troy on May 4th and his other son welcomed Amelia Joyce Troy on June 13th.
- b. Mr. Hopkins noted that he prematurely announced Jessica Waite's 15th anniversary at the Authority, which will be on July 30th.

Mr. Brown thanked Mr. Hopkins for his report.

Dr. Kazmir and Mr. Sullivan welcomed Ms. Devane.

## 6. ADJOURN

As there was no further business, Mr. Brown asked for a motion to adjourn. Dr. Kazmir made the motion. Mr. Sullivan seconded. Mr. Brown asked if there were any questions on the motion. There were no questions. He then called for a vote. All Members voted in the affirmative.

The meeting was adjourned at 10:43 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 28, 2022.

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Cindy Kline, Assistant Secretary