

Minutes of the New Jersey Health Care Facilities Financing Authority regular Meeting held on March 24, 2022 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following *Authority Members* were in attendance:

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

The following *Authority staff members* were in attendance:

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

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

Via telephone: Stephanie Gibson and George Loeser, Attorney General's Office; Jamera Sirmans, Governor's Authorities Unit; Mike Santillo, CEO of John Brooks Recovery Center; Hak Kim, CFO, Monica Finnegan and Donna Michael-Ziereis of AtlantiCare; William Mayer, DeCotiis FitzPatrick Cole & Giblin LLP; Mike Zulawski, TD Bank

CALL TO ORDER

Mr. Brown called the meeting to order at 10:02 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 27, 2021 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 24, 2022 Authority Meeting

Minutes for the Authority's February 24, 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. Sullivan 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 and the minutes were approved.

2. AMENDMENT TO CAP LOAN DOCUMENTS

John Brooks Recovery Center

Mr. Brown called on Jessica Waite to provide the Members with the details of the request to amend the documents.

Ms. Waite began by introducing Mike Santillo, Chief Executive Officer of John Brooks Recovery Center, as well as, Hak Kim, Chief Financial Officer of AtlantiCare Health System, who were participating by telephone.

Ms. Waite reminded the Members that, on August 20, 2019, John Brooks Recovery Center, a New Jersey Nonprofit Corporation, received a loan through the Authority's Capital Asset Program, Series 1985 A&B in the amount of \$11,800,000 from the Authority to finance or refinance, or reimburse John Brooks Recovery Center for the costs of certain capital assets.

Ms. Waite noted that as additional security for its obligations under the Loan Agreement, JBRC delivered such collateral as determined and required by TD Bank, N.A, as Line Issuer, including a Promissory Note to the Authority, and a Mortgage and Security Agreement by and between JBRC and the Authority; and the Authority executed and delivered a Debt Service Deficiency Agreement, providing security of \$2,000,000 in debt service deficiency fund, which could be tapped if JBRC failed to make timely payments under the Loan Agreement and the Note. It is important to note, that JBRC has not drawn on the Debt Service Deficiency Agreement.

According to Ms. Waite, in January 2022, AtlantiCare Health System signed a letter of intent with JBRC for AtlantiCare to acquire and become the parent company of JBRC. This strategic acquisition would allow AtlantiCare to expand its already extensive network of substance use disorder and behavioral health and wellness programs and services. AtlantiCare recognizes the integrity, longevity and successful recovery-oriented model JBRC has established in serving the same communities as it does.

Ms. Waite explained that AtlantiCare has agreed to acquire the membership interests of JBRC and to provide a guaranty of the JBRC's obligations under the Loan Agreement and the Note, which Guaranty shall be issued as an Obligation under AtlantiCare's MTI, secured by the pledge of Gross Revenues and authenticated by the Master Trustee, and the assignment of such Guaranty by the Authority to the Pool Trustee.

JBRC, together with AtlantiCare, have requested that certain amendments be made to the Loan Agreement to accommodate the transactions contemplated by the Acquisition Agreement. In consideration of the First Amendment to Loan Agreement and the Guaranty, the Mortgage shall be discharged and the Debt Service Deficiency Agreement terminated. TD Bank, has issued its commitment letter to JBRC and the Authority approving the amendments to the Loan Agreement, consent to the Guaranty and the discharge of the Mortgage and the termination of the Debt Service Deficiency Agreement, as provided in your mailing material.

Ms. Waite concluded by informing Members that while they are asking to approve the Resolution to take such action, the closing of this transaction will not occur until all regulatory approvals have

been received, including the common law review of transfer of nonprofit assets performed by the New Jersey Attorney General's office.

Ms. Waite then said that she or William Mayer of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Bond Counsel on this transaction, would answer any questions the Members might have.

Mr. Brown asked for a motion to approve the resolution authorizing the execution of the First Amendment to the Loan Agreement, and to consent to the Guaranty and the discharge of the Mortgage, and authorize the termination of the Debt Service Deficiency Agreement. Dr. Kazmir made the motion. Mr. Lovell 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. 2022-03-A

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled, **“RESOLUTION APPROVING AMENDMENTS TO A LOAN AGREEMENT AND CONSENT TO A GUARANTY IN CONNECTION WITH THE ACQUISITION OF THE JOHN BROOKS RECOVERY CENTER BY ATLANTICARE HEALTH SERVICES, INC.”**

(attached)

3. APPROVAL OF CASH MANAGEMENT MASTER AGREEMENT WITH TD BANK

Mr. Brown called on Alpa Patel to provide the Members with the details of the request to approve a Cash Management Master Agreement with TD Bank.

Ms. Patel began by informing Members that the Authority currently maintains two (2) checking accounts with TD Bank, an Operating Account and a Trustee Fees Account. This banking relationship started in April 2008 when TD Bank acquired Commerce Bank, where the Authority had maintained both accounts for many years prior.

Ms. Patel explained that the Authority would like to modify this banking relationship to enable: (i) electronic downloading of bank account transactions into the Authority's accounting software for easier reconciliation; (ii) acceptance of Automated Clearing House (“ACH”) payments from payers, including from our borrowers for annual fees; (iii) deposit of checks into the Authority accounts remotely via electronic means; (iv) receipt of payments to the Authority into a lockbox; and (v) payments by ACH to vendors, suppliers, contractors, consultants and others (including qualifying retirees to reimburse them for expenses related to their post-retirement health care

premiums and reimbursement to staff and Authority Members for authorized expenses). The Authority already makes ACH transfers for payroll and for flexible spending accounts.

Ms. Patel referred to the attachment in the meeting materials as a substantially final form of the proposed new Cash Management Master Agreement with TD Bank. The agreement is for a five (5) year term, however, either the Authority or TD Bank may terminate the agreement earlier with thirty (30) days written notice. The Attorney General's office has reviewed this agreement and has no objection to the Authority Members' consideration of the agreement.

In conclusion, Ms. Patel stated that staff is recommending the approval of the proposed new Cash Management Master Agreement with TD Bank and authorizing and directing the Executive Director to execute and deliver same with any changes that are recommended by the Attorney General's office and approved by the Executive Director.

Ms. Patel said she or Mark Hopkins could answer any questions the Members may have.

Mr. Brown asked for a motion to approve the Cash Management Master Agreement with TD Bank for the Authority's operating account and authorize the Executive Director to execute and deliver same to TD Bank. Dr. Kazmir made the motion. Mr. Paulino 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. 2022-03-B

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves entering into the Cash Management Master Agreement with TD Bank in substantially the form presented today with any changes recommended by the Attorney General's office;\

BE IT FURTHER RESOLVED, that the Executive Director is authorized and directed to execute and deliver the Cash Management Master Agreement with TD Bank.

4. AUTHORITY EXPENSES

Mr. Brown referenced a summary of Authority expenses and invoices provided to the Members. Dr. Kazmir made the motion to approve the expenses. Mr. Sullivan 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. 2022-03-C

WHEREAS, the Members of the Authority have reviewed the memoranda dated March 16, 2022 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amount of \$9,872.03 and \$1,161.10, 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' report is as follows:

1. This past Monday, the State Senate Judiciary Committee unanimously advanced the nomination of Acting Commissioner Sarah Adelman to be Commissioner of the Department of Human Services. The full Senate is expected to consider the nomination today.
2. Village Drive Health Care Urban Renewal LLC, the low-income assisted living facility in Millville financed in part by the Authority, is still awaiting its license to open after having received its Certificate of Occupancy in late December 2021.
3. Coronavirus News
 - a. The new COVID-19 Omicron variant BA.2 is spreading quickly in New Jersey after causing an increase in cases in Europe and Asia. It currently makes up the majority of strains tested in New Jersey. It appears to be more transmissible but initially it does not appear to cause more severe illness than the Omicron BA.1 or Delta variants.
 - b. According to a Centers for Disease Control and Prevention ("CDC") study of public schools in Arkansas from August 2021 through October 2021, masks were effective against the spread of COVID. Those school districts which had full mask mandates had 23% lower rates of COVID than those that had no mask mandates. Other

studies have reached contradictory findings on the effectiveness of mask mandates in schools.

- c. New Jersey is well vaccinated, with 75% of its population being considered fully vaccinated for COVID. However, only 34% have received a booster.
 - d. In addition to ending mask mandates in schools effective March 7th, Governor Murphy also ended the mask mandate for State workers on March 14th. The Authority also may resume in-person public meetings if it desires, depending on the state of COVID infections as the date approaches.
4. New Jersey Hospital News
- a. Frank Troy assembled the list of credit ratings of New Jersey hospitals and health care systems, which was provided to the Authority Members along with the news articles yesterday.
 - b. On March 1, 2022, Barry Ostrowsky, President and CEO of RWJBarnabas Health, announced he will be retiring effective the end of the year. He has been CEO since 2012 after joining Saint Barnabas Medical Center in 1991 as Executive Vice President and General Counsel. He oversaw the merger with the Robert Wood Johnson Health System in 2016 as well as subsequent mergers and acquisitions which make RWJBarnabas Health the largest health system in New Jersey with 12 hospitals. He also worked to build the academic, research and medical relationship between RWJBarnabas and Rutgers. Mr. Ostrowsky will be succeeded by current Chief Strategy and Development Officer Mark Manigan, who joined the system in 2019 as Executive Vice President of Business Development. Mr. Manigan will begin serving as President effective immediately and will assume the role of CEO on January 1, 2023. Additionally, current Chief Financial and Administrative Officer John Doll is being promoted to the newly created position of Senior Executive Vice President and Chief Operating Officer effective immediately.
 - c. President Biden has nominated University Hospital President and CEO Shreef Elnahal to be the Under Secretary of Health for the U.S. Veterans Health Administration (“VHA”). Dr. Elnahal, who has both an M.D. and an M.B.A. from Harvard, also previously served as New Jersey Commissioner of Health and as the Assistant Deputy Secretary for Health, Quality, Safety and Value at the VHA during the Obama Administration. Mary Maples has been named interim President and CEO. Ms. Maples will take over whenever Dr. Elnahal leaves University Hospital, which may be following his confirmation by the Senate. She is an attorney who currently serves as University Hospital’s Chief Legal Officer and Corporate Secretary. Prior to joining the hospital, Ms. Maples served in the Governor’s Office of General Counsel and, before that, served more than 11 years at the Central Intelligence Agency.

- d. CentraState Healthcare System has announced that Tom Scott will be promoted to CEO on April 9th. Mr. Scott has served as Chief Operating Officer of the system for the past seven years. He is succeeding John Gribbin who is retiring the first week of April after 22 years as CEO. Mr. Gribbin plans to stay on as a consultant during a transition period.
- e. The U.S. Third Circuit Court of Appeals has denied an appeal from the District Court's ruling that upheld the Federal Trade Commission's ("FTC") denial of the merger between Hackensack Meridian Health and Englewood Health on the grounds the merger could stifle competition and potentially raise prices. The systems had reached a definitive agreement to merge in October 2019 and the FTC moved to block the merger in December 2020 by a 5 to 0 vote. It appears the court's ruling has killed the proposed merger.
- f. Hackensack Meridian Health is selling 11 of its 12 long-term care facilities to Complete Care. However, the deal includes a unique ten-year agreement between Hackensack Meridian and Complete Care to maintain a collaborative relationship to ensure a continuum of care for hospital patients and long-term care residents. The new agreement requires the approval of the Attorney General's office and the Department of Health. Complete Care is based in Howell and operates 36 skilled nursing facilities, four assisted living facilities and one independent living facility in New Jersey.
- g. Healthgrades recognized 13 New Jersey hospitals with the 2022 Patient Safety Excellence Award: Chilton Medical Center, Cooper University Hospital, Englewood Hospital and Medical Center, Bayshore Medical Center, Hackensack University Medical Center, Hunterdon Medical Center, Newton Medical Center, Overlook Medical Center, Ocean University Medical Center, Saint Clare's Denville Hospital, Saint Luke's Warren Hospital, Saint Michael's Medical Center and St. Mary's General Hospital.
- h. Newsweek named seven New Jersey hospitals among the 420 best in the U.S.: Morristown Medical Center (ranked 46th) Hackensack University Medical Center (57th), Valley Hospital (111th), Overlook Medical Center (168th), Newark Beth Israel Medical Center (235th), Englewood Hospital and Medical Center (333rd), and Monmouth Medical Center (414th).
- i. On March 15th, the Teaneck Township Council voted to change zoning for Holy Name Hospital and several properties surrounding it in support of Holy Name's planned expansion. The expansion shifts the new hospital to the front and side of the current building and away from the residential neighborhood. The multi-phase expansion is expected over two decades and will add two nine-story buildings next to the existing hospital as well as an eight-story medical office building and two five-story medical office buildings nearby. A day care and surface parking lot are planned for behind the hospital.

- j. A housing project for low-income residents is being built near University Hospital as part of an innovative program developed by the New Jersey Housing and Mortgage Finance Agency (“NJHMFA”). The project will have 78 affordable rental apartments, with 16 set aside for homeless. The building will include a ground floor health clinic and medical office space run by University Hospital, which will provide outpatient medical care to the at-risk population in the neighborhood. The \$42 million needed for the project is being funded through multiple sources, including an NJHFMA low-interest loan and its Special Needs Housing Trust Fund, tax credits, the Hospital Partnership Subsidy Program, Multifamily Rental Housing Production fund, HOME funds from the City and County as well as \$3 million from University Hospital. Housing is one of the key social determinants of health. It has been found that access to housing and outpatient health care reduces the number of hospital visits and costs of providing health care to the needy.
- k. Inspira Health is embarking on a solar energy project on its Mullica Hill campus with a 15 year power purchase agreement with Sol-REIT. Sol-REIT will install 3,600 solar panels to generate 1.8 million kilowatt hours of renewable energy each year, enough to power 163 homes.
- l. New Jersey hospitals have been sending medical supplies to Ukraine through the New Jersey Hospital Association.

5. Ratings Agency Actions and Publications

- a. S&P Global Ratings affirmed its “AA-” rating on bonds issued by the Authority on behalf of Virtua Health in 2013. It also affirmed an underlying rating of “AA-” on bonds issued by the Authority on behalf of Virtua Health in 2009 while affirming its “AA+/A-1” dual rating on the variable rate 2009B & C bonds backed by a Letter of Credit from JPMorgan Chase and “AAA/A-1+” on the variable rate 2009D & E bonds backed by a Letter of Credit from TD Bank. Importantly, S&P revised its outlook for the bonds from “Negative” to “Stable.”
- b. Moody’s Investors Service issued a Sector In-Depth for not-for-profit and for-profit hospitals about how the pandemic accelerated the shift from hospital-based care and decreased hospital revenue and margins.
- c. Fitch Ratings issued a Fitch Wire on the Adjustable Interest Rate Act, passed by Congress on March 10th, which replaces the London Inter-Bank Offering Rate (“LIBOR”) with the Secured Overnight Financing Rate (“SOFR”) plus a spread depending on the LIBOR term starting in mid-2023 on contracts with no or impracticable LIBOR fallback provisions and those with no alternative rate. The act will provide for consistent rates for a substantial portion of floating-rate bond and loan markets.

6. New Jersey Health Care News

- a. The Nicholson Foundation, Robert Wood Johnson Foundation and the National Network of Public Health Institutes, in concert with the New Jersey Department of Health, issued a report recommending New Jersey establish a nonprofit public health institute to address health care inequities in New Jersey.
- b. Governor Murphy’s State budget proposal includes a \$33 million boost in federal and State funding for maternal and infant health: (i) \$17 million for providing free home visits from a nurse after the birth of a child; (ii) \$15 million in increased Medicaid spending on maternity care to boost reimbursement rates for clinicians, midwives and doulas; and (iii) \$1 million for midwifery training.
- c. The New Jersey Department of Health selected Atlantic Health System (“AHS”) to serve as a monitor for Woodland Behavioral and Nursing Center in Andover. The facility was subject to much criticism during the pandemic for its high infection and death rate. It has consistently scored poorly in the Centers for Medicare and Medicaid Services (“CMS”) Star rating system and was recently the subject of a scathing report following an investigation by the Department citing instances of abuse and neglect. AHS operates Newton Medical Center which is less than five miles from Woodland.
- d. Senators Menendez and Booker announced \$12 million in federal funding for several New Jersey hospitals and community health centers to upgrade and respond with more resilience to demands for service. University Hospital received \$3.8 million, Bergen New Bridge Medical Center received \$2 million, AtlantiCare Health System and Deborah Heart and Lung Center each received \$1 million, Capital Health received \$925,000, Newton Medical Center received \$750,000 and Valley Hospital received \$513,000.
- e. Two articles provided describe the extensive shortage of hospital workers in New Jersey and the increased costs of employing hospital workers.

7. National Health Care News

- a. Congress has granted a five-month extension for telehealth reimbursement from Medicare by extending the telehealth federal public health emergency that started as a result of the COVID pandemic. President Biden signed the bill on March 16th.
- b. Two articles were provided on hospitals’ expanding reliance on highly expensive travel nurses due to the shortage of nurses and that one-third of nurses plan to quit their jobs by the end of 2022, further exacerbating the shortage.
- c. How nonprofit hospitals and health systems compensate executives was the subject of a recent study by the nonprofit Lown Institute. An article about the study in RevCycleIntelligence has been provided.

8. Bond and Tax Legislation and Regulatory News

- a. The Federal Open Market Committee of the Federal Reserve agreed on March 16th to raise its target fund rate by 25 basis points (1/4 of 1%) to try to tame inflation. It was the first increase in three years. As a result, the benchmark federal funds rate will be between 0.25% and 0.50%. It is expected there will be six more rate hikes this year. Some analysts believe the FOMC could increase rates by 50 basis points at the next meeting or the next two meetings.
- b. The Internal Revenue Service will allow remote TEFRA hearings, permitted temporarily due to the COVID pandemic, to be permitted permanently. TEFRA hearings are required to be held for public comment when tax-exempt bonds are proposed to be issued on behalf of nongovernmental nonprofit or for-profit entities. The requirement comes from the 1982 Tax Equity and Fiscal Responsibility Act.
- c. The Municipal Securities Rulemaking Board's ("MSRB") request for information on environmental, social and governance ("ESG") practices in the municipal securities market has elicited irritation from municipal market participants at the MSRB's attempt to regulate ESG matters. Comments received indicate that standardized ESG disclosures would create a heavy burden on issuers.

Mr. Brown thanked Mark for his report.

6. EXECUTIVE SESSION

Mr. Brown asked for a motion to go into Executive Session to discuss personnel matters. Mr. Brown announced that the results of the discussion would be made public when the need for confidentiality no longer existed.

Dr. Kazmir offered the motion. Mr. Lovell seconded the motion. Mr. Brown asked if the Members had any questions on the motion. There were no questions. Mr. Brown called for a vote. All Members voted in the affirmative and the resolution was approved.

The Members entered into Executive Session at 10:29 a.m.

AB RESOLUTION NO. 2022-03-D

NOW, THEREFORE, BE IT RESOLVED, that, as permitted by the Open Public Meetings Act and the Authority's By-laws, the Authority meet in Executive Session to discuss a personnel matter; and

BE IT FURTHER RESOLVED, that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

The Members returned to Public Session at 10:42 a.m.

Mr. Brown requested a role call to make sure all Members were back on the teleconference. All Members were present.

7. APPROVAL OF MATTERS DISCUSSED IN EXECUTIVE SESSION

Mr. Brown stated that in Executive Sessions the Members were presented with a proposal to engage a part-time Communications Specialist 23 hours per week to replace the retired full-time Communications Specialist along with a proposed hourly rate of pay for the part-time Communications Specialist. Also proposed were several duties formerly performed by the full-time Communications Specialist to be permanently assigned to the Administrative Assistant for the Division of Operations, Finance and Special Projects, the Controller and the Office Manager/Executive Assistant and proposed extra pay for those duties.

Mr. Brown asked for a motion to approve the proposals that were presented during Executive Session. Dr. Kazmir made the motion. Mr. Paulino 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. 2022-03-E

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the engagement of a part-time Communications Specialist for 23 hours per week at the hourly rate identified during Executive Session; and

BE IT FURTHER RESOLVED, that the Administrative Assistant for the Division of Operations, Finance and Special Projects, the Controller and the Office Manager/Executive Assistant shall be permanently assigned the extra duties formerly performed by the full-time Communications Specialist that were identified during Executive Session and that their respective pay be increased for such duties.

8. 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.

Mr. Brown wanted to confirm that the next Authority Meeting would be held in person. Mark Hopkins stated that if there were no more outbreaks, and cases remained low, we would have the meeting in person. He also mentioned to Members that if they still preferred to call in to the meeting, they would also have that option as well.

The meeting was adjourned at 10:44 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 24, 2022.

Cindy Kline, Assistant Secretary