

Minutes of the New Jersey Health Care Facilities Financing Authority's regular Meeting held on November 16, 2023 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following *Authority Members* were in attendance:

Via telephone: Robin Ford, Designee of the Commissioner of Health (for this Authority meeting named Chair Pro-Tem due to the absence of the Chair and Vice Chair); Greg Lovell, Designee of the Commissioner of Human Services; Manny Paulino, Designee of the Commissioner of Banking and Insurance; Sam Maddali and Bridget Devane, Public Members

The following *Authority staff members* were in attendance:

Frank Troy, Alpa Patel, Taryn Rommell, Cindy Kline, Bill McLaughlin, Kia Inman, Edwin Fuentes, Jeff Solimando, Ron Marmelstein, Jose Lora; and via telephone: Michael Solidum and Tracey Cameron

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

Dorian Smith, Governor's Authorities Unit; Vlad Palma, Attorney General's Office; and via telephone: Stephanie Gibson, Attorney General's Office; representatives from Willis of New Jersey: Judith Morgan, client executive, Jackline Mbeche, Client Manager, Rosemarie Fernicola, Client Advocate and Danny Seto, Finex Broker; and Rebecca Barson, Planned Parenthood

CALL TO ORDER

Executive Director Frank Troy 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 25, 2023 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.

Mr. Troy recommended that in the absence of the Chair and Vice Chair, that a Chair Pro-Tem be named. Mr. Lovell nominated Robin Ford to serve as Chair Pro-Tem for the November 16, 2023 meeting and Mr. Maddali seconded. Mr. Troy called for a vote. All Members voted in the affirmative and the motion carried.

Ms. Ford reminded Members on the phone to identify themselves before making or seconding a motion.

1. APPROVAL OF MINUTES
October 26, 2023 Authority Meeting

Minutes for the Authority’s October 26, 2023 Meeting were distributed for review and approval prior to the meeting. Ms. Ford asked for a motion to approve the minutes. Mr. Lovell made the motion. Ms. Devane seconded. Ms. Ford asked if there were any questions or comments on the motion. There were no questions or comments. Ms. Ford called for a vote. All Members voted in the affirmative, except for Mr. Maddali who abstained, and the minutes were approved.

2. FOURTH AMENDMENT TO MEMORANDUM OF AGREEMENT WITH THE DEPARTMENT OF HUMAN SERVICES, DIVISION OF AGING TO PROVIDE QUARTERLY FINANCIAL DATABASE MAINTENANCE AND DATA ANALYSIS

Ms. Ford called on Taryn Rommell to explain the details of the Fourth Amendment to the Memorandum of Agreement with the Department of Human Services, Division of Aging, for financial database management and analysis.

Ms. Rommell began by stating that since 2014, the Division of Research, Investor Relations & Compliance has been assisting the Department of Human Services Division of Aging Services with a financial early warning system (or EWS) for long-term care facilities under a Memorandum of Agreement (the Agreement). This early warning system is similar to the ones created for the acute care hospitals and federally qualified health centers.

According to Ms. Rommell, under the Agreement, staff reviews and analyzes data from skilled nursing facilities on a quarterly basis. Staff calculates State-wide medians for thirteen financial and operational metrics and prepares a list of those facilities that may be experiencing financial distress based on screens developed with Aging Services. Staff also responds to ad hoc requests as needed and provides Aging Services with national benchmarks. The Authority currently receives \$7,425.34 per quarter for these services. The Authority would be pleased to continue to work with the Department of Human Services with another extension which would have an expiry date of June 20, 2026.

The proposed amendment in your packet, Ms. Rommell continued, has been reviewed by Authority staff and by our Deputy Attorney General, and staff is asking for your approval. Mr. Troy or she would be pleased to answer any Member questions.

Ms. Ford asked if there were any questions.

Public Member Bridget Devane identified herself and asked if nursing homes including “for-profits” are required to produce financials. Executive Director Frank Troy responded that he is unaware of any such requirement for long-term care facilities.

Ms. Devane then asked for clarification, by asking if this is not a requirement, and how the analysis is done. Frank Troy responded that, to his knowledge, skilled nursing facilities have no known requirement to post unaudited quarterly financials, annual audited financials, and monthly early

warning metrics on their website. Mr. Troy added that a file is sent quarterly from the nursing homes to Aging Services. Mr. Troy then asked Ms. Devane if his response adequately answered her question.

Ms. Devane, seeking further clarification, responded that under the assumption of this being a current practice that's being extended, there must be some financial information provided to the department for them to analyze it. Are those financial documents being produced, and are there any issues with the financial documents being produced?

Taryn Rommell contributed a response to Ms. Devane by stating that long-term care facilities do not have to send the Authority their financial statements. However, these facilities do send Human Services a spreadsheet that provides a snapshot of the facility's financials. Human Services then forwards this financial snapshot to the Authority, which works with that information to produce the necessary metrics.

Ms. Devane thanked Ms. Rommel and stated that her explanation helped.

Ms. Ford asked if for any additional questions, to which there were none.

Ms. Ford then asked for a motion to approve the Memorandum of Agreement with the Department of Human Services, Division of Aging to Provide Quarterly Financial Database Maintenance and Data Analysis. Mr. Paulino offered the motion. Mr. Maddali seconded. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. 2023-11-A

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled, **“A RESOLUTION AUTHORIZING THE FOURTH AMENDMENT TO THE MEMORANDUM OF AGREEMENT WITH THE DEPARTMENT OF HUMAN SERVICES, DIVISION OF AGING, TO PROVIDE QUARTERLY FINANCIAL DATABASE MAINTENANCE AND DATA ANALYSIS.”**

3. DIRECTORS AND OFFICERS LIABILITY INSURANCE RENEWAL

Ms. Ford called on Controller Alpa Patel to present an update on the Renewal of Directors and Officers Liability/Employment Practices Liability Coverage 12/18/23 – 12/18/24.

Ms. Patel began by thanking Ms. Ford, and then she advised all present that members of Willis of New Jersey, our insurance broker, telephonically. The representatives from Willis are Judith Morgan, client executive; Jackline Mbeche, client manager; Rosemarie Fernicola, client advocate; and Finex Broker Danny Seto.

Ms. Patel reminded everyone that the D&O/EPL policy provides protection to past, present, and future members of the Authority board, committee members, officers, and staff. It is a claims made policy and provides coverage for a claim which is first made against the policy period and reported in writing to the insurer.

According to Ms. Patel, the Authority currently has \$5 million in D&O coverage and \$5 million in EPL coverage provided through National Union Fire Insurance Company of Pittsburg, PA (AIG) at premiums of \$38,090 and \$12,620, respectively, plus a New Jersey surcharge of \$253. The Authority has a \$250,000 deductible under these policies. The Authority also currently has two excess policies of \$5 million each for D&O. One excess policy is with AXA-XL at a premium of \$16,460 and a New Jersey surcharge of \$250. The other excess policy is with RSUI at a premium of \$14,300 and a New Jersey surcharge of \$150.

Willis marketed to the following insurers on the Authority's behalf: AIG, RSUI, AXA-XL, and Chubb. RSUI and AXA-XL preferred to remain as the excess carrier. Chubb declined to quote as they could not compete with the pricing from AIG. AIG will continue to provide \$5M in D&O coverage and \$5M in EPL coverage at premiums of \$38,330 and \$12,380, respectively, plus a New Jersey surcharge of \$254. The Authority's deductible under these policies remains at \$250,000. The Authority will also have two excess D&O policies at \$5M each. The excess policy with AXA-XL will have a premium of \$16,550 and a New Jersey surcharge of \$250. The second excess policy with RSUI will have a premium of \$14,300 and a New Jersey surcharge of \$150.

Ms. Patel stated that the Authority Staff recommends continuing with the primary D&O coverage of \$5 million and EPL coverage of \$5 million from AIG with a deductible of \$250,000. The Authority staff also recommends keeping two \$5 million excess layers of D&O coverage from AXA-XL and RSUI, for a total D&O coverage of \$15 million. This would result in premiums totaling \$81,560 plus \$654 in surcharges, taxes, and fees, compared to the 2023 premium of \$81,470 plus \$653 in surcharges, taxes, and fees.

Ms. Patel concluded her presentation with the offer to address questions. There were no questions.

Ms. Ford asked for a motion to approve the Directors and Officers Liability Insurance Renewal. Ms. Devane offered the motion. Mr. Lovell seconded. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. 2023-11-B

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the awarding of the Directors and Officers Liability Insurance policy and Employee Practices Liability Insurance policies to AIG and one excess layer of coverage to AXA-XL and one additional excess layer of coverage to RSUI.

4. CORPORATE BANKING RESOLUTION & SIGNATURE CARDS

Ms. Ford informed the Members that, with the appointment of Dr. Kaitlan Baston as the Acting Commissioner of the Department of Health, the Authority has a new Chair. Whenever there is a change in officers, the Authority must submit new corporate banking resolutions and signature cards to the bank.

Ms. Ford offered Alpa Patel to answer any questions the Members had, to which there were none.

Ms. Ford asked for a motion to approve the submission of new corporate banking resolutions and signature cards. Mr. Paulino offered the motion. Mr. Maddali seconded the motion. Ms. Ford asked if the Members had any questions or comments on the motion. There were no questions. She then called for a vote. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. 2023-11-C

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts corporate banking resolutions as a result of the appointment of a new Chair and authorizes the submission of new signature cards.

5. AUTHORITY EXPENSES

Ms. Ford referenced a summary of Authority expenses and invoices provided to the Members. Mr. Lovell made the motion to approve the expenses. Ms. Devane seconded. Ms. Ford asked if there were any questions or comments on the motion. There were no questions or comments. Ms. Ford 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. 2023-11-D

WHEREAS, the Members of the Authority have reviewed the memoranda dated November 8, 2023 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amount of \$19,425.00 and \$4,455.00, 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.

6. STAFF REPORTS

Ms. Ford thanked staff for the Project Development Summary and Cash Reconciliation Report.

Ms. Ford then asked Executive Director Frank Troy to present his Executive Director's report.

Mr. Troy reported the following:

1. Members and designees are reminded to complete the annual ethics training required by Executive Order No. 41 (Codey 2005). If you haven't already done so, please complete the Special State Officer Training Module and Cannabis Briefing offered on-line by the New Jersey State Ethics Commission (the "NJSEC") and forward the receipts for completion to my attention as soon as possible. Those who have completed State Employee training by taking the NJSEC's training module or by attending a live in-person or virtual training are not required to take the sessions but please send me your training receipts.

If you have any questions, please see me or the Authority's Ethics Liaison Officer, Robin Piotrowski.

2. Finance Committee members are reminded there will be a meeting on November 28, 2023 at 10:00AM. Materials and dial-in information will be sent in advance.
3. New Jersey Hospital News
 - a) The nurses' strike at RWJBarnabas Health's Robert Wood Johnson University Hospital in New Brunswick has continued for over 100 days with no progress reported. Several articles on the subject were included this month.
 - b) The fall 2023 Leapfrog Group safety grades were released. As a state, New Jersey scored well once again but slipped from first place in the spring 2023 rankings to 13th. Approximately 76% of the State's hospitals graded A or B and there were none receiving a D or F.
 - c) Morristown Memorial Hospital ("Morristown"), an affiliate of Atlantic Health System, was named the best hospital in New Jersey by Newsweek. Morristown was also named one of the top 15 hospitals for nurses to work for according to Becker's Hospital Review ("Becker's").
 - d) Anna Michelle Brandt has been named the new chief operating officer of University Hospital. Ms. Brandt was most recently vice president and hospital chief of staff at UF Health Shands Hospital in Florida.

- e) The proposed St. Peter's Healthcare System and RWJBarnabas Health merger that has been blocked by the Federal Trade Commission was the subject of a Becker's article entitled "When Health System Mergers Fall Through".
- f) Virtua Health and the Michaels Organization broke ground on a \$24M affordable housing and medical campus in Camden. Designed to advance health equity and housing, the 60,000-square-foot, multi-use building will feature 47 apartments and a medical practice.
- g) CarePoint Health's Christ Hospital in Jersey City recently celebrated its 150th anniversary.
- h) In other CarePoint Health news, the City of Hoboken's State and local lawmakers received a warning from the Department of Health that Hoboken University Medical Center was considered "high concern" for being under financial distress.
- i) Hackensack Meridian Health entered into a partnership agreement with One Medical, the primary care service acquired by Amazon for \$3.9 billion earlier this year. This is potentially significant as an ROI-NJ article noted 1 in 4 adults in the U.S. and half of people under age 30 do not have a primary care doctor. Amazon and One Medical is also mentioned in my national health care news.

4. Ratings Agency Actions and Publications

- a) Fitch Ratings ("Fitch") affirmed their AA- rating on approximately \$217 million of Authority bonds issued on behalf of AtlantiCare Health System citing a strong balance sheet with solid liquidity and a low debt burden. The AA- rating is considered high investment grade. The outlook is Stable.
- b) Fitch's latest Wire notes mounting cost inflation within the health care industry is expected to translate into further health insurance premium increases. The higher inflation is being driven by increased medical supply and pharmaceutical costs. This, combined with elevated costs related to staffing shortages and rising interest payments due to higher rates is pressuring both providers and consumers. For an example, once again Authority staff's aggregate contributions toward their health coverage will be increasing 21% next year.
- c) Moody's Investor Service (Moody's) released its 2024 not-for-profit and public healthcare outlook revising the sector's outlook to stable from negative. Moody's expects operating cash flow and margins to improve due to expenses increasing at more manageable levels.

5. New Jersey Health Care News

- a) Joy Lindo has been named general counsel of the New Jersey Hospital Association. Ms. Lindo most recently served as the Director of the Office of Legal and Regulatory

Compliance at the New Jersey Department of Health. She was always nice to deal with and we wish her success in her new post.

- b) U.S. Representative Josh Gottheimer of New Jersey is sponsoring a bill that would place a federal advocate in every veterans' home across the country. The bill is in response to the high number of COVID-related deaths in veterans' homes in 2019.
- c) In a NJBIZ opinion piece, the Medical Society of New Jersey came out against pending legislation that would codify into law a COVID-era executive order that allows advanced practice nurses and certified registered nurse anesthetists (or CRNAs) to provide care without any physician involvement.
- d) Another NJBIZ article looks at the increasing use of technology in health care delivery.

6. National Health Care News

- a) The October 2023 Kaufman Hall National Hospital Flash Report noted bad debt and charity care remained elevated on a year-over-year basis. This is partly attributed to the ongoing Medicaid redetermination process, which has resulted in at least 9.5 million people being dis-enrolled. Labor expenses and workforce issues continue to challenge hospitals and health systems.
- b) This month's articles also included Kaufman Hall's 2023 State of the Healthcare Consumer report which promotes a more consumer-centric approach to health care. In addition, Kaufman Hall's Lisa Goldstein discusses debt covenants in her latest blog.
- c) Articles on the number of individuals whose Medicaid coverage was terminated due to the on-going redetermination process were included this month. Nationally, 35% of enrollees lost coverage and 65% had coverage renewed to date. New Jersey has seen a 60% renewal rate.
- d) Health care "disruptor" Amazon has discounted the price of its One Medical membership to Prime subscribers to \$9 per month or \$99 a year. One Medical operates primary care clinics across the county and also offers virtual care.
- e) The latest in the Healthcare Financial Management Association's Healthcare 2030 series focuses on social determinants of health.

7. Bond and Tax Legislation and Regulatory News

- a) The Securities and Exchange Commission (the "SEC") is working to calm municipal bond issuer concerns about implementation of the Financial Data Transparency Act (the "Act"). While requiring no new disclosures, the Act does require financial data posted on the Municipal Securities Rulemaking Board's EMMA dataport to be submitted in machine-readable formats or eXtensible Business Reporting Language (XBRL). There is concern due to the widely divergent nature of the municipal bond

market, which includes governments, health systems and universities among others, as well as the costs involved. The SEC is to publish proposed rules by June 2024.

8. Other News

None.

9. Authority News

- a) The Authority welcomes our new Assistant Director of Research, Investor Relations and Compliance, Jose Lora. Jose has a strong accounting background and has experience in hospitals, another New Jersey authority, and banking.
- b) A reminder the next Authority meeting will be Thursday, December 14th due to the Holiday Season.
- c) On behalf of the Authority staff, I would like to wish everyone a Happy Thanksgiving! I would also like to wish everyone celebrating the Festival of Lights a Happy Hanukah!

Ms. Ford thanked Mr. Troy for his report.

As there was no further business, Ms. Ford asked for a motion to adjourn. Mr. Lovell made the motion and Mr. Maddali seconded. All Members voted in the affirmative. The meeting was adjourned at 10:28 am.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY MEETING HELD ON NOVEMBER 16, 2023.

Cindy Kline, Assistant Secretary