

Minutes of the New Jersey Health Care Facilities Financing Authority Meeting held on December 19, 2019 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

*The following **Authority Members** were in attendance:*

Dr. Munr Kazmir, Vice Chair (Public Member) (Chairing); Robin Ford, Designee of the Department of Health; Greg Lovell, Designee of the Commissioner of Human Services; and, via telephone, Manny Paulino, Designee of the Commissioner of Banking and Insurance; and Suzette Rodriguez, Public Member

Note: Ms. Ford left the meeting at 10:45 a.m. and continued to participate by telephone.

*The following **Authority staff members** were in attendance:*

Mark Hopkins, Frank Troy, Ron Marmelstein, Carole Conover, Bill McLaughlin, Alpa Patel, Edwin Fuentes, Ellen Lieber, Neetu “Nikki” Thukral, Taryn Rommell, Diane Johnson, Jessica Lucas, Taryn Brzdek, Cindy Kline, John Johnson, Michael Solidum and Chris Kniesler

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

George Loeser, Attorney General’s Office; Dan Kelly, Governor’s Authorities Unit; Dorit Kressel, Chiesa, Shahinian & Giantomasi PC; Christian Casteel, Department of Human Services

CALL TO ORDER

Dr. Kazmir 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 23, 2019 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to *The Star-Ledger* and the *Courier Post* and to all newspapers with mailboxes at the Statehouse, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

1. APPROVAL OF MINUTES November 21, 2019 Authority Meeting

Minutes for the Authority’s November 21, 2019 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 on the motion. There were no questions or comments. Dr. Kazmir then called for a vote. All Members voted in the affirmative and the minutes were approved.

Mr. Hopkins asked that the planned Executive Session be moved up on the agenda because Ms. Ford had to leave the meeting early.

2. EXECUTIVE SESSION

Dr. Kazmir asked for a motion to go into Executive Session to receive advice from the Attorney General's Office regarding Village Drive Healthcare Urban Renewal, LLC and to discuss personnel matters. Dr. Kazmir announced that the results of the discussion would be made public when the need for confidentiality no longer existed.

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

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

AB RESOLUTION NO. TT-36

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 receive advice from the Attorney General's Office regarding Village Drive Healthcare Urban Renewal, LLC and to discuss personnel matters;

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.

3. RESOLUTION APPROVING SALARIES FOR THE EXECUTIVE DIRECTOR AND AUTHORITY STAFF AND APPOINTING A NEW CUSTODIAN OF THE RECORD

Dr. Kazmir referenced the personnel discussions in Executive Session and asked for a motion to approve the salaries of the Executive Director and Authority staff and to approve the appointment of Taryn Brzdek as the Custodian of the Record. Mr. Lovell made the motion. Ms. Ford seconded. Dr. Kazmir asked if there were any questions 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 was approved.

AB RESOLUTION NO. TT-37

RESOLUTION APPROVING SALARIES FOR THE EXECUTIVE DIRECTOR AND AUTHORITY STAFF AND APPOINTING A NEW CUSTODIAN OF THE RECORD

WHEREAS, the New Jersey Health Care Facilities Financing Authority (the “Authority”) was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, as amended (N.J.S.A. 26:2I-1, et seq.) (the “Act”), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey (the “State”); and

WHEREAS, the subsection (e) of Section 4 of the Act provides in pertinent part that the Authority Members “may . . . appoint, retain and employ . . . such officers, agents, and employees as it may require, and it shall determine their qualifications, terms of office, duties, services and compensation”; and

WHEREAS, the Section 2.13 of the Authority’s By-Laws states in pertinent part that: “All employees of the Authority shall receive such compensation as shall be determined and fixed by the members of the Authority”; and

WHEREAS, performance appraisals having been conducted by each staff member’s supervisor; and

WHEREAS, after consultation with the three Division Directors and the Human Resources Manager, the Executive Director has provided the Authority Members with 2020 salary recommendations for each Authority employee providing a total increase of 1.83% over the 2019 salaries, with individual employees receiving increases between 1.00% and 3.50%, as provided in detail on the spreadsheet reviewed by the Authority Members during Executive Session; and

WHEREAS, the Executive Director is recommending that Assistant Account Administrator Taryn Brzdek be assigned the duties of Custodian of the Record that were previously assigned to Executive Assistant/Office Manager Carole Conover, who is retiring on December 31, 2019; and

WHEREAS, the Executive Director is recommending that Ms. Brzdek be provided an additional 2.00% increase in compensation as a result of the additional duties as Custodian of the Record; and

WHEREAS, the Authority Members have been satisfied with the performance of the Executive Director and desire to set the Executive Director's 2020 salary commensurate with their level of satisfaction.

NOW THEREFORE BE IT RESOLVED that the Authority hereby approves:

1. The salary increases for each Authority staff member as proposed by the Executive Director on the spreadsheet provided to the Authority Members during Executive Session.
2. The appointment of Assistant Account Administrator Taryn Brzdek as the Custodian of the Record.
3. An increase in compensation for Assistant Account Administrator Taryn Brzdek of 2.00% for undertaking the additional duties of Custodian of the Record, which increase shall be in addition to the annual increase proposed based on her performance appraisal.
4. A 2.50% increase for the Executive Director from \$143,815 in 2019 to \$147,415 in 2020.

BE IT FURTHER RESOLVED, that this Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of delivery) to the Governor of the State (the "Governor") the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

4. AMENDMENT OF PROJECT DESCRIPTION Greystone Park Psychiatric Hospital & Marlboro Psychiatric Hospital

Dr. Kazmir called on Jessica Lucas to explain the proposed amendment to the project descriptions for the Greystone Park Psychiatric Hospital and Marlboro Psychiatric Hospital projects.

Ms. Lucas reminded the Members that, in April 2013, the Authority issued Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A in a principal amount of \$50,730,000. The bonds were issued for the purpose of financing the costs of the completion of the demolition and remediation of the former psychiatric facilities in Morris County, New Jersey.

Simultaneously, the Authority issued Department of Human Services Lease Revenue Bonds (Marlboro Psychiatric Hospital Project) Series 2013 in a principal amount of \$73,530,000. The bonds were issued for the purpose of financing the costs of the demolition and remediation of the existing facilities at or related to Marlboro Psychiatric Hospital in Monmouth County, New Jersey and the construction of group housing.

Ms. Lucas further reminded the Members that, in February 2016, the remaining cost to complete the 2013 Project was less than the remaining amount of unspent proceeds. At that time, Members approved the request of the Department of Human Services (“DHS”) and the Authority to make amendments to the 2013 bond documents, authorizing the expenditure of proceeds for certain other capital improvements projects of DHS.

According to Ms. Lucas, work on the 2013 project and 2016 additional projects has proceeded. The Authority has determined, based on information provided, that the remaining cost to complete the 2013 project and the 2016 additional projects is less than the currently remaining amount of unspent proceeds of the 2013 bonds.

Pursuant to the request of DHS, Ms. Lucas said that the Authority’s staff recommends approving the amendments to the bond documents. The amendments authorize the Department of Human Services to expend proceeds from the Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013 A and Department of Human Services Lease Revenue Bonds (Marlboro Psychiatric Hospital Project) Series 2013 on other 2019 capital improvement projects permitted to be financed by the Authority pursuant to the respective bond documents and the Authority’s enacting statute.

Ms. Lucas stated that the Attorney General’s office has reviewed the documents that were provided the meeting packets and has no objection to the Authority’s consideration of this matter.

Ms. Lucas then recommended that the Supplemental Resolutions, Supplemental Indentures, Amendments to the respective Sublease and Agreements, and the respective Memorandums of Agreement between the Authority and the Department of Human Services be approved.

Ms. Lucas concluded by saying that she or Dorit Kressel, Bond Counsel of Chiesa Shahinian & Giantomasi PC, would be happy to answer the Members’ questions. There were no questions.

Dr. Kazmir asked for a motion to approve the resolution authorizing the amendment to the project description for Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A. Mr. Lovell made the motion. Ms. Ford seconded. Dr. Kazmir asked if there were any questions 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 was approved.

AB RESOLUTION NO. TT-38

WHEREAS, the Authority hereby approves a resolution entitled “A SECOND SUPPLEMENTAL RESOLUTION WITH RESPECT TO DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS (GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013A AUTHORIZING AMENDMENTS TO THE INDENTURE, THE AGREEMENT, AND THE MEMORANDUM OF AGREEMENT AND APPROVING THE 2019 ADDITIONAL PROJECTS.”

(attached)

Dr. Kazmir asked for a motion to approve the resolution authorizing the amendment to the project description for Department of Human Services Lease Revenue Bonds (Marlboro Psychiatric Hospital Project) Series 2013. Ms. Ford made the motion. Mr. Lovell seconded. Dr. Kazmir asked if there were any questions 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 was approved.

AB RESOLUTION NO. TT-39

WHEREAS, the Authority hereby approves a resolution entitled, “A SECOND SUPPLEMENTAL RESOLUTION WITH RESPECT TO DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS (MARLBORO PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013 AUTHORIZING AMENDMENTS TO THE INDENTURE, THE AGREEMENT, AND THE MEMORANDUM OF AGREEMENT AND APPROVING THE 2019 ADDITIONAL PROJECTS.”

(attached)

5. RFP TO REVIEW HEALTH CARE SERVICES IN BAYONNE AND TRENTON

Dr. Kazmir asked Mark Hopkins to explain to the Members why the Authority is being asked to issue the Request for Proposals (“RFP”).

Mr. Hopkins began by explaining that New Jersey Health Care Facilities Financing Authority and the Department of Health are concerned with the maintenance of safe, efficient and effective delivery of hospital and health care services to the residents of the cities of Bayonne and Trenton. In addition, the Authority has bonds outstanding for hospital facilities in neighboring

cities. For these reasons, the Authority and the Department of Health would like to engage a health care consulting firm to evaluate the current community need for hospital services located in Bayonne and Trenton.

According to Mr. Hopkins, the evaluation will focus on the discrete populations and services available within each city. It will include an evaluation of the inventory of currently available services in each city's geographical boundaries, the source of the patients at the hospitals in each city, the demographic of certain health care professionals serving the hospital in each of the cities and where patients from each of the cities are going for health care services and, if a substantial number are going elsewhere, what type of care are they seeking elsewhere.

Mr. Hopkins said that, the purpose of the evaluation is to determine what the patient needs are in Bayonne and Trenton, where those needs are currently being met and to propose innovative solutions to meet those needs. The evaluation will be used by stakeholders in the area, State and local officials and the public at large to assist in implementing innovative solutions that continue and enhance needed access to health care services while recognizing the changing landscape of the delivery of health care.

Mr. Hopkins stated that the report will be presented to the Commissioner of the Department of Health and the Executive Director of the Authority no later than March 31, 2020.

Mr. Hopkins emphasized the need complete the report as quickly as possible. The Authority has been asked to initiate a Request for Proposal ("RFP") process for the selection of the health care consultant. The Department of Health, in consultation with the Executive Director of the Authority, has prepared the substantially final RFP that will apply to the engagement and is provided in the Members' meeting materials. If approved, the Authority will distribute the RFP as well as work with the Department of Health to select the consultant for the engagement.

Mr. Hopkins concluded by saying that the Authority staff is asking for the Members' approval to distribute the RFP to firms on the Authority's Hospital Workout List and to publish notice of the RFP on the Authority's website, the State of New Jersey Business Opportunities website and possibly on other venues reasonably expected to reach consultants of this type.

Dr. Kazmir asked for a motion to approve the resolution authorizing the Authority to issue an RFP for a consultant to review health care services in Bayonne and Trenton. Mr. Lovell made the motion. Ms. Rodriguez seconded. Dr. Kazmir asked if there were any questions 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 was approved.

AB RESOLUTION NO. TT-40

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a resolution to issue a request for proposals for the selection of a management consultant firm to perform a review of health care services in Bayonne and Trenton

6. RESOLUTION OF ANNUAL NJHCFFA INCUMBENCY CERTIFICATES

Dr. Kazmir asked Jessica Lucas to explain the resolution authorizing annual incumbency certificates.

Ms. Lucas informed the Members that, in the Authority bond documents an “Authorized Officer” in the case of the Authority, shall mean the “Chairman, Vice-Chairman, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer or Executive Director or Deputy Executive Director and when used with reference to any act or document also means any other person authorized by the by-laws or any resolution of the Authority to perform such act or execute such document.”

Ms. Lucas further explained that the Authority is responsible for the expenditure of the costs of projects pursuant to the requisition policies approved by Authority and the Authority recognizes the need for prompt and timely decisions made by Authority personnel to facilitate investment purchases and to provide direction to Bond Trustees of revenues, in accordance with bond indentures.

According to Ms. Lucas, the Members are being asked to approve the resolution before them. The resolution delegates the staff identified in Exhibit A, as Authorized Officers of the Authority, responsible for the day-to-day activities related to the requests of disbursement requisitions, investments, allocation of revenues and to take such other action as may be necessary or appropriate in order to effectuate the actions contemplated by this resolution.

Ms. Lucas then offered to answer any of the Members’ questions. There were no questions.

Dr. Kazmir asked for a motion to approve the resolution authorizing annual incumbency certificates. Mr. Lovell made the motion. Ms. Ford seconded. Dr. Kazmir asked if there were any questions 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 was approved.

AB RESOLUTION NO. TT-41

WHEREAS, the Authority hereby approves a resolution entitled, “RESOLUTION OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY AUTHORIZING THE ADOPTION OF ANNUAL INCUMBENCY CERTIFICATES PROVIDED TO THE APPROVED TRUSTEE BANKS.”

7. BOND SALE REPORT

Valley Health

Dr. Kazmir asked Bill McLaughlin to update the Members on the recent bond sale on behalf of Valley Health.

Mr. McLaughlin told the Members that, on November 20, 2019, the Authority staff along with Morgan Stanley, as the senior managing underwriter, priced the \$356,410,000 publicly issued tax-exempt Series 2019 bond financing on behalf of Valley Health System. The bonds were rated “A” by Standard & Poor’s and “A+” by Fitch Ratings.

According to Mr. McLaughlin, the proceeds of the Series 2019 bonds will be used to: (1) fund the construction of a 372-bed, approximately 910,000 square foot replacement hospital to be located in Paramus, NJ and (2) pay certain costs incurred in connection with the issuance and sale of the Series 2019 Bonds.

Mr. McLaughlin said that the transaction was structured with fixed-rate serial bonds maturing from 2020 to 2039 and fixed-rate term bonds maturing in 2044 and 2049.

Mr. McLaughlin explained that the order period began at 9:30 a.m. with the following priority of orders: Friends and Family of Valley Health System, New Jersey Retail, Net Designated and Member. At the conclusion of the order period, the underwriting team had received orders totaling over \$3.1 billion from 69 unique investors, of which 65 were allotted bonds. This oversubscription led to the underwriting team adjusting the yields downward throughout the structure, resulting in a decrease in the all-in total interest cost from 3.02% to 2.93%.

Mr. McLaughlin further reported that Morgan Stanley made an offer to underwrite the bonds at the new levels and the Authority staff gave the verbal award. Yields on the Series 2019 serial bonds ranged from 1.12% for the 2020 maturity to 2.56% for the 2039 maturity. Yields for the fixed-rate term bonds are as follows: for the term bond maturing on July 1, 2044, a yield to call of 2.71%; and for the term bond maturing on July 1, 2049, a yield to call of 3.15%.

Mr. McLaughlin said that transaction closed on December 11, 2019, and that more details were available in the Bond Pricing Summary provided in their meeting materials. He then offered to answer any questions from the Members.

Dr. Kazmir thanked Mr. McLaughlin for his report and asked if the Members had any questions.

Mr. Lovell asked if that was a high number of investors. Mr. McLaughlin replied that it was and that Morgan Stanley, as senior managing underwriter did a tremendous job of this sale. Mr. Hopkins added that the Valley Hospital executives were very pleased with the deal and how well the staff performed.

8. APPOINTMENT OF ASSISTANT SECRETARY

Cindy Kline

Dr. Kazmir told the Members that, with the pending retirement of Carole Conover, the Authority must appoint an Assistant Secretary. Dr. Kazmir said that Mr. Hopkins has recommended Cindy Kline, Carole's replacement, to fill the vacancy.

Dr. Kazmir asked for a motion to approve the resolution appointing Cindy Kline as Assistant Secretary. Mr. Lovell made the motion. Mr. Paulino seconded. Dr. Kazmir asked if there were any questions 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 was approved.

AB RESOLUTION NO. TT-42

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby appoints Cindy Kline to replace Carole Conover as Assistant Secretary for the Authority.

9. RESOLUTION OF APPRECIATION

Maryann Kralik

Dr. Kazmir reminded the Members that Maryann Kralik has retired from the Department of Banking and Insurance. He then asked Mark Hopkins to read a Resolution of Appreciation for Maryann's service to the Authority as the Designee of the Commissioner of Banking and Insurance.

Dr. Kazmir asked for a motion to approve the Resolution of Appreciation for Maryann Kralik. Mr. Lovell made the motion. Mr. Paulino seconded. Dr. Kazmir asked if there were any questions 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 was approved.

AB RESOLUTION NO. TT-43

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION OF APPRECIATION FOR MARYANN KRALIK as Designee for the Commissioner of the New Jersey Department of Banking and Insurance and thanks her for her service."

10. APPROVAL OF EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Mr. Lovell made the motion to approve the expenses. Ms. Rodriguez seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. 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. TT-44

WHEREAS, the Members of the Authority have reviewed the memoranda dated December 11, 2019 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$12,500.00 and \$39,260.11 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.

11. 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.

Due to the length of the meeting, Mr. Hopkins offered to forego the reading of the hospital and bond news. Mr. Hopkins however took the opportunity to report the following:

- Tracey Cameron celebrated her 10th anniversary at the Authority on December 7.
- Ron Marmelstein celebrated his 30th anniversary at the Authority on November 27.
- Cindy Kline, currently the Administrative Assistant for the Division of Operations, Finance and Special Projects, is being promoted to the position of Office Manager/Executive Assistant effective January 1, 2020. She will be succeeding Carole Conover, who will be retiring.
- Carole is retiring effective January 1, 2020 after nearly 21 years of service to the Authority. Mr. Hopkins expressed thanks and appreciation to Carole, saying that she was an exceptional employee as well as an exceptional person. He then invited the staff and

Authority Members to attend a retirement luncheon for Carole on Monday, December 30 at the Yardley Inn. Everyone should contact Robin Piotrowski for information or to RSVP.

The balance of Mr. Hopkins' Executive Director's report, which was provided in writing, is as follows:

- a. St. Peter's University Healthcare System has signed a letter of intent with RWJBarnabas Health to explore merger opportunities. St. Peter's announced in the fall of 2018 that it was seeking a strategic partner.
- b. Prime Healthcare Services has expressed interest in Bayonne Medical Center, part of the CarePoint Health System. In addition to Bayonne, the for-profit CarePoint runs two other hospitals in Hudson County, Christ Hospital in Jersey City and Hoboken University Medical Center, which are subject to a letter of intent to be acquired by RWJBarnabas Health. Reportedly, Hackensack Meridian Health and Atlantic Health System are also interested in Bayonne. Prime is a for-profit hospital system headquartered in California with 45 hospitals, including Saint Clare's Denville, Saint Clare's Dover, St. Mary's in Passaic and St. Michael's in Newark, New Jersey.
- c. The building and property for Bayonne Medical Center had been owned by Medical Properties Trust, a publicly traded real estate investment trust. A CarePoint affiliate operating the hospital had a long-term lease on the property and building. On November 11, 2019, WTFK Propco bought the property and building from Medical Properties Trust. WTFK Propco is controlled by Avery Eisenreich, the owner of Alaris Health, which has a chain of nursing homes in northern New Jersey.
- d. Construction has been completed on Inspira Medical Center Mullica Hill. The 465,000 square foot hospital with 210 private beds cost \$356 million to build, financed mostly by Authority bonds. The hospital welcomed its first patients on Sunday and completed transfers of all patients from its Woodbury hospital on Tuesday. The Woodbury hospital will continue to have a mental health unit and a satellite emergency department and some ambulatory services.
- e. Robert Wood Johnson University Hospital in New Brunswick celebrated the opening of its new emergency department on November 22. The new emergency department was financed partially by Authority bonds, has increased in size from 40,000 square feet to 60,000 square feet and has over 100 private treatment areas, a separate pediatric emergency department and in-department radiology and CT imaging.
- f. University Hospital has reached an agreement with the nurses' union representing the more than 900 registered nurses working at the Hospital. We have also learned that CFO Tom Daly retired from University Hospital last

month. Gary Huck will be Interim CFO. Mr. Huck was previously the Director of Managed Care and Reimbursement Healthcare Finance at University Hospital.

- g. Hackensack Meridian Health was a victim of a ransomware attack on its computer network last week. The attack forced the hospitals in its network to cancel non-emergency surgeries and deliver care without access to electronic records. Hackensack Meridian Health payed an undisclosed ransom to regain control over its systems.
- h. Lourdes Hospital, now part of Virtua Health, transplanted a kidney into the wrong patient. Two patients with the same name and of similar age were awaiting kidney transplants, but the patient who received the kidney was not the next patient on the priority list. The patient who had priority received a successful kidney transplant later the same week.
- i. The FBI is reportedly investigating allegations that Newark Beth Israel Medical Center kept a heart transplant patient alive in a vegetative state to improve its survival rate in an attempt to improve reimbursement under Medicare and Medicaid.
- j. AtlantiCare received a \$50,000 donation from Horizon Blue Cross Blue Shield to provide free rides to patients deemed by the State Attorney General's office to lack adequate transportation and financial resources.
- k. St. Luke's University Health Network opened a \$100 million Upper Bucks Campus in Milford Township, PA on December 14. It is an 80-bed hospital that will replace St. Luke's Quakertown campus, which will remain open as an inpatient behavioral health facility and to provide outpatient services and imaging. St. Luke's is the parent of St. Luke's Warren Campus in Phillipsburg, New Jersey.
- l. In ratings actions:
 - i. Moody's Investors Service released a not-for-profit and public healthcare "Sector In-Depth" article on November 21 noting hospitals can expect an increase in bad debt due to changes in benefit designs and higher deductibles. Moody's also issued a sector wide "Outlook" for not-for-profit and public healthcare on December 9 upgrading the 2020 outlook for the sector to stable from negative due largely to anticipated stronger revenue growth. Moody's noted in a "Sector Comment" on December 16 that declining affordability of healthcare creates high social risks for the healthcare sector.
 - ii. On December 10, Fitch Ratings also changed its 2020 outlook for not-for-profit hospitals and health systems to stable from negative due largely to

balance sheet stability and slight improvements in operational performance.

In State Health Care News:

- m. Hospital transparency bills authored by Assemblyman Chiaravalloti of Bayonne have passed both the Assembly and Senate and await the Governor's signature. The bills are based largely on recommendations from the State Commission of Investigation's spring 2019 report on the lack of tools available to monitor CarePoint Health System's management fees to its owners.
- n. America's Health Rankings ranks New Jersey as the 8th healthiest state in the country for 2019, up 13 slots since the rankings were first made in 1990.
- o. The New Jersey Hospital Association has issued a study and database examining factors that identify New Jersey's most vulnerable communities based on access to health services, housing, food access, education, income, unemployment, among others. The 08103 zip code in Camden was found most vulnerable, followed by 08608 in Trenton, 08104 and 08102 in Camden, 07102 in Newark, 08401 in Atlantic City, 07505 in Paterson, 07114 in Newark, 08105 in Camden and 07108 in Newark.
- p. A report by Rutgers University's New Jersey Collaborating Center for Nursing found that there are far too few primary care doctors and nurses to meet the needs of the population in six of New Jersey's 21 counties: Cumberland, Hudson, Passaic, Ocean, Salem and Sussex. The lack of these primary care providers leaves significant portions of the State as "health care deserts" and could lead to a potential crisis in the future.
- q. Assembly Speaker Craig Coughlin is a sponsor of a bill to re-establish the property tax exempt status of non-profit hospitals that was changed as a result of a tax court decision against Morristown Medical Center in 2015. The legislation proposes to require the hospital to pay a fee per bed in lieu of property taxes.
- r. Assemblywoman Nancy Munoz introduced legislation requiring hospitals to establish nurse-led staffing committees to set specific nurse-to-patient ratios for each hospital facility as part of its licensing conditions.
- s. Assemblyman Louis Greenwald sponsored legislation that would establish regional health hubs to replace the existing Accountable Care Organization demonstration projects in Camden, Newark and Trenton as well as Passaic County. The health hubs would be non-profit led initiatives that would coordinate care among medical providers, insurance companies and social service organizations.

- t. Accounting firm Withum, Smith & Brown held its inaugural Healthcare Symposium on December 4. RWJBarnabas Health CEO Barry Ostrowsky was the keynote speaker. Several other hospital executives participated as well, including Lori Herndon, CEO of AtlantiCare and Kevin Lenahan CFO and CAO of Atlantic Health System. Cathy Bennett, former Health Commissioner and current CEO of the New Jersey Hospital Association also spoke. The key topic was social determinants of health. Frank Troy attended on behalf of the Authority.
- u. Horizon Blue Cross and Blue Shield of New Jersey says internal results show its members are experiencing a higher and more rigorous level of care because their physicians, hospitals and other health care professionals participate in one or more of Horizon's patient-centered, value-based programs. Accountable Care Organizations (ACOs) in New Jersey are having success cutting costs of the delivery of services to Medicare beneficiaries according to the Centers for Medicare and Medicaid Services (CMS). For instance, the Hackensack Alliance Accountable Care Organization, one of Hackensack Meridian Health's ACOs, realized \$49.3 million on savings for 2018 and three of Atlantic Health System's ACOs saved nearly \$10 million.
- v. Horizon is also supporting recently introduced legislation introduced by Assemblyman John McKeon to change its corporate structure from a not-for-profit health services corporation to a not-for-profit mutual. Not-for-profit mutual companies are owned by policyholders and reinvest income in activities to benefit policyholders. Currently, Horizon is limited in its investments in technologies and innovations that support its goal to lower health care costs and improve quality and consumer experience. The board of directors of Horizon would continue to have substantial public representation, including more members to be appointed by the Governor, the Senate President and the Speaker of the Assembly. Blue Cross and Blue Shields from 18 other states have already converted to the mutual form of not-for-profit.
- w. Modern Healthcare has recognized three New Jersey health care executives to its list of 100 Most Influential People in Healthcare: Brian Gragnolati, CEO of Atlantic Health System and Chair of the American Hospital Association; Robert Garrett, CEO of Hackensack Meridian Health, and Barry Ostrowsky, CEO of RWJBarnabas Health.
- x. Becker's Hospital Review recently listed nine hospitals with strong finances including Atlantic Health System, which is located entirely within New Jersey, as well as two multi-state health systems with hospitals in New Jersey: Trinity Health, which operates St. Francis, and the University of Pennsylvania Health System, which operates Penn Medicine Princeton Medical Center.

In National Health Care News:

- y. A study published in The Journal of Internal Medicine found that expansion of Medicaid eligibility under the Affordable Care Act has not increased emergency room visits among beneficiaries, as many opponents of the law had feared. Instead, visits to primary care physicians among Medicaid beneficiaries increased by almost 4% in the first three years of Medicaid expansion. This implies that Medicaid patients are seeking care in the most appropriate and least expensive environment and possibly preventing conditions from becoming more serious and costly.
- z. The Centers for Medicare & Medicaid Services (CMS) Office of the Actuary released its report for 2018 showing that national health care spending increased by 4.6% in 2018; this is an increase from the 4.2% growth in 2017 but less than the 5.4% growth in the 2018 gross domestic product. Health care spending was 17.7% of the total 2018 economy, down from 17.9% in 2017.
- aa. Kaufman Hall's National Hospital Flash Report showed gains in hospital operating profitability, with EBITDA up 6% year over year and operating margins up 10.4% year over year.
- bb. A new report by the Catalyst for Payment Reform suggests payment models paying doctors and hospitals for the value of health care services they provide are not moving the cost and quality of health care. It suggests the lack of significant downside risk is the cause.
- cc. The American Consumer Satisfaction Index released its annual report examining financial and insurance sectors, finding consumer satisfaction scores for hospitals dropped significantly from last year, mostly due to dissatisfaction with emergency room care. The health insurance sector saw an increase in consumer satisfaction over the same year.
- dd. In other national health care news:
 - i. The Trump administration has unveiled its new price transparency rules requiring disclosure on a public website their negotiated rates for in-network providers:
 - ii. Capital Health is among 15 hospitals that are suing the U.S. Department of Health and Human Services (HHS) over the calculation of Medicare disproportionate share payments to hospitals in alleged contravention of a recent decision of the U.S. Supreme Court;
 - iii. Over 600 hospitals are suing HHS over \$840 million of inpatient Medicare payments that they claim was not authorized by Congress.

- iv. UnitedHealthcare is opening Medicare service centers in 14 Walgreens stores in the Las Vegas, Phoenix, Cleveland, Denver and Memphis area next year;
- v. Forbes released its top 10 predictions for the health care industry in 2020; and
- vi. Modern Healthcare reports on the feverish pace health systems have been issuing bonds.

In National Municipal Bond Tax and Regulatory News:

- ee. Investment News is reporting that the boom of \$485 billion in taxable bonds being issued by non-profit and governmental entities has largely been caused by the tax cuts implemented by the 2017 Trump tax law changes. The change prohibited advance refundings of tax-exempt bonds and the low taxable interest rate environment is permitting municipal bond issuers to advance refund using taxable bonds. The article also notes that municipal bond default rates are far lower than corporate bond default rates. Between 1970 and 2018, municipal bonds rated by Moody's experience a default rate of 0.09% compared to a global corporate default rate of over 6%.
- ff. The Bond Buyer reports that there is growing concern that the recent increasing popularity of taxable municipal bond financings may lead to Congress giving more consideration of eliminating the tax-exemption on some or all municipal bonds.
- gg. The proposed guidance from Treasury, the IRS and the Government Accounting Standards Board on safe harbors for transitioning away from LIBOR as an indicative interest rate has been the main subject of comments from the public finance industry.

LATE BREAKING NEWS

- hh. Thomas Jefferson University has entered into a definitive agreement to purchase Fox Chase Cancer Center from Temple University and to acquire Temple's Bone Marrow Transplant program. The press release announcing the news also indicated there would be a broader affiliation between Jefferson and Temple going forward.

Dr. Kazmir asked if there was any further business. Mr. Lovell congratulated Carole Conover on her retirement and said that she will be missed. He also offered his congratulations to Maryann Kralik on her retirement. Dr. Kazmir also expressed his sentiments.

As there was no further business, following a motion by Mr. Lovell and a second by Mr. Paulino, the Members voted unanimously to adjourn the meeting at 11:08 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 DECEMBER 19, 2019.

Carole A. Conover, Assistant Secretary