

Minutes of the New Jersey Health Care Facilities Financing Authority regular Meeting held on August 26, 2021 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

Via telephone: David Brown (Chairing) Vice Chair (Public Member); 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 and Dr. Kazmir (Public Member)

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

Mark Hopkins, Tracey Cameron and Chris Kniesler; and, via telephone, Frank Troy, Bill McLaughlin, Alpa Patel, Taryn Rommell, Jessica Waite, Edwin Fuentes, Bill Lohman and Cindy Kline

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

Via telephone, George Loeser, Attorney General's Office; Jamera Sirmans, Governor's Authorities Unit; Eileen Urban, Chief Investment Officer and Senior Vice President of Treasury; Cathy Dowdy, Senior Vice President of Finance; Bill Cuthill, Senior Vice President of Facilities and Construction; Jasmine Castelli, Vice President of Treasury and Cash Management and Tamara Cunningham from RWJBarnabas Health; Daniel Chazen and Phoebe MacKenzie, Citigroup; Rich Slotkin, Sills Cummis; and John Kelly, Wilentz Goldman and Spitzer

CALL TO ORDER

Mr. Brown called the meeting to order at 10:05 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 July 22, 2021 Authority Meeting

Minutes for the Authority's July 22, 2021 Meeting were distributed for review and approval prior to the meeting. Mr. Brown asked for a motion to approve the minutes. Mr. Lovell made the motion. Ms. Ford 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. CONTINGENT BOND SALE & TEFRA HEARING RWJBarnabas Health

Mr. Brown announced that the following portion of the meeting was a public hearing in connection with the RWJBarnabas Health transaction. He stated that this hearing is taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Mr. Brown called upon Edwin Fuentes to present the request for a contingent bond sale on behalf of RWJBarnabas Health. Mr. Fuentes noted that this was the first transaction in which the Authority used only their website for the TEFRA notice and that no comments were received on-line.

Mr. Fuentes then introduced the RWJBarnabas Health officers participating by telephone: Eileen Urban, Chief Investment Officer and Senior Vice President of Treasury; Cathy Dowdy, Senior Vice President of Finance; Bill Cuthill, Senior Vice President of Facilities and Construction; and Jasmine Castelli, Vice President of Treasury and Cash Management.

Mr. Fuentes reminded the Members that at the June meeting, the Authority approved the use of a negotiated sale in the form of a public offering on behalf of RWJ Barnabas Health. At the Authority's July meeting, RWJBarnabas provided an informational presentation describing the projects to be financed. Those projects included the expansion of the Rutgers Cancer Institute of New Jersey ("CINJ"), as well as construction and renovations at multiple site locations of the System including Clara Maas Medical Center, Community Medical Center, Jersey City Medical Center, Monmouth Medical Center – Fort Monmouth campus, Monmouth Medical Center – Southern campus, Newark Beth Israel Medical Center, RWJ University Hospital in New Brunswick, RWJ University Hospital in Rahway, RWJ University Hospital in Somerset, and Saint Barnabas Medical Center. He added that more details on the projects being financed can be found in Exhibit A of the Bond Resolution being presented today.

Mr. Fuentes informed the Members that substantially final forms of the bond documents pertaining to the transaction were forwarded to them earlier this morning. He pointed out the change in the surety bond requirement section of our Loan Agreement. Mr. Fuentes explained that, after negotiations with the borrower, staff granted a waiver of the surety bond requirement only for construction contracts less than \$20 million and expected to be completed in less than one year under the notion the general contractor has acquired Subcontractor Default Insurance for those projects. For the remaining projects, the borrower will acquire performance bonds, which will cover 100% of the construction contracts and one year, 10% coverage on materials and workmanship. The CINJ portion of the project will be covered by a traditional surety bond, as required under the Development Services Agreement between RWJ University Hospital and Cancer Pavilion Redevelopment Associates, a subsidiary of DEVCO.

According to Mr. Fuentes, RWJBarnabas Health is requesting a contingent sale of tax- exempt bonds in a par amount not to exceed \$825,000,000. The bonds, which will be sold at a premium, are expected to produce proceeds to finance the projects totaling approximately \$864.8 million.

Mr. Fuentes said that, following the financial and bond resolution presentations, he, or the RWJBarnabas Health representatives would answer any questions from the Members or the Public.

Mr. Fuentes then turned the meeting over to Taryn Rommell to present RWJBarnabas Health's financial projections.

Ms. Rommell reported that the Authority staff reviewed the projected financial statements and related assumptions that were prepared in connection with the RWJBarnabas Health proposed Series 2021 transaction. The Authority staff found the projections and management's underlying assumptions to be reasonable.

Ms. Rommell reported that RWJBarnabas Health is rated AA- with a Stable outlook by Standard and Poors (S&P) and A1 with a Positive outlook by Moody's Investor Service. She then referred the Members to the Balance Sheets in their meeting materials. Ms. Rommell noted that the Authority staff calculated Days Cash on Hand in excess of 270 during the forecast period, which is above the 2019 S&P median of 210 and the September 30, 2020 state-wide median of 192.

Ms. Rommell expounded on the data further by telling the Members that under the Statement of Operations, the Authority staff calculated an operating margin of 3.5%, at stabilization, in 2025, again, exceeding the 2019 S&P median of 2.3%. Additionally, the EBITDA margins (Earnings Before Interest, Taxes, Depreciation and Amortization) at stabilization would be 9.4%, which is approximate to the 2019 S&P U.S. median of 10%. Ms. Rommell reported, however, that she was hesitant to use the 2020 margins for comparison purposes as they were affected by the COVID-19 pandemic.

In summary, Ms. Rommell stated the Authority staff's analysis suggests RWJBarnabas Health would have adequate cash reserves and profitability to generate sufficient funds to meet its debt service requirements during the forecast period.

Ms. Rommell concluded by saying that after John Kelly presents the bond resolution, she, Edwin or Mr. Kelly would be pleased to answer any questions. She then turned the meeting over to John Kelly.

BOND RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer, P.A., the Bond Counsel, stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2021 Bonds in an aggregate principal amount not in excess of \$825,000,000 as set forth in the Trust Agreement pursuant to which the Series 2021 Bonds will be issued. The Series 2021 Bonds will bear interest at a fixed interest rate to maturity, with the true interest cost of such Series 2021 Bonds not exceeding four and one-half percent (4.50%) per annum. The Series 2021 Bonds will have a final maturity date of no later than July 1, 2061 and be subject to redemption prior to maturity as set forth in the Trust Agreement, provided, that the redemption price cannot be greater than 105%. The Series 2021 Bonds will be issued for the purposes of: (i) financing and/or reimbursing the Borrower for the costs of planning, design, development, acquisition, construction, equipping, furnishing and renovation of (a) the expansion of the Rutgers Cancer Institute of New Jersey as more fully described in the definition of the defined term "CINJ Project" contained in Exhibit A of this Resolution (the "CINJ Project"), and (b) all or a portion of one or more of the various capital

projects and facilities of the Borrower and its affiliates described in the definition of the defined term “RWJBH Project” contained in Exhibit A of this Resolution (the “RWJBH Project” and, together with the CINJ Project, the “Projects”), and (ii) paying certain costs incurred in connection with the issuance and sale of the Series 2021 Bonds.

The Series 2021 Bonds will be issued by the Authority under and pursuant to a Trust Agreement by and between the Authority and U.S. Bank National Association, as Bond Trustee. The Series 2021 Bonds will be secured by payments to be made by RWJBarnabas, under its Loan Agreement with the Authority, as evidenced and secured by one or more promissory notes of RWJBarnabas Health, and amounts on deposit in certain funds held by the Bond Trustee. The promissory notes will be issued under the existing Master Trust Indenture (“MIT”) by and among RWJBarnabas Health, Inc., on behalf of itself and the other members of the Obligated Group, and The Bank of New York Mellon, as Master Trustee. The promissory notes will be secured by a gross revenue pledge of the Obligated Group under the MTI.

Additionally, the Bond Resolution approves the form of, and authorizes the execution of, the Series 2021 Bonds, the Loan Agreement, the Trust Agreement, the Disbursement Agreement, a Preliminary Official Statement and final Official Statement relating to the Series 2021 Bonds, with the caveat that no posting, mailing or other distribution of the Preliminary Official Statement shall occur until such time as the Underwriters have informed the Authority that the Underwriters and their counsel have satisfactorily completed their “due diligence” investigation of the Borrower and the information relating to the Borrower set forth in the Preliminary Official Statement. Further, the Bond Resolution appoints U.S. Bank National Association, as Bond Trustee, Bond Registrar and Paying Agent for the 2021 Bonds. The Bond Resolution also approves the form of and authorizes the execution of the Bond Purchase Contract with Citigroup Global Markets, Inc., the senior managing Underwriter, at an underwriting discount (including counsel fees) not in excess of \$6.00 per \$1,000 principal amount of the Series 2021 Bonds. In addition, the Bond Resolution also authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the issuance of the Series 2021 Bonds, and the financing of the Projects.

Mr. Brown asked if the Members had any questions on the presentation. There were no questions.

Mr. Brown then asked if there were any questions or comments from the public. There were no questions.

Mr. Brown asked for a motion to approve a contingent bond sale on behalf of RWJBarnabas Health. Mr. Lovell offered the motion. Mr. Paulino 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. Mr. Brown, Ms. Ford, Mr. Paulino and Mr. Lovell voted in the affirmative. Dr. Kazmir abstained. The motion was approved.

AB RESOLUTION NO. VV-22

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled “**A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, RWJBARNABAS HEALTH OBLIGATED GROUP ISSUE, SERIES 2021.**”

(attached)

Mr. Brown asked if the representatives from RWJBarnabas Health had anything to add.

Ms. Urban spoke on behalf of RWJBarnabas Health and expressed her thanks to the Authority for their support in this significant amount of financing. Ms. Urban said that these projects are integral to RWJBarnabas’ strategy as it pertains to CINJ and to improving the health of the citizens of our state. She then thanked Mark Hopkins for his leadership in facilitating their financings since their merger in 2016 and for ensuring continuity by proving the same team to work with them.

Mr. Brown congratulated Mr. Hopkins and the staff for a job well done.

Mr. Brown then closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended regarding the proposed financings on behalf of RWJBarnabas Health.

**3. ADDITION TO THE AUTHORITY’S QUALIFIED BANKERS LIST
AmeriVet Securities, Inc.**

Mr. Brown called upon Bill McLaughlin to present a request for an addition to the Authority’s Qualified Bankers List.

Mr. McLaughlin advised the Members that the Authority staff has received a request from AmeriVet Securities, Inc. to be added to the list of approved bankers as a co-managing underwriter.

According to Mr. McLaughlin, AmeriVet Securities, Inc. is a certified Service Disabled Veteran Owned and Operated Broker Dealer. The firm’s core mission is to hire and train U.S. military veterans and provide opportunities for advancement in the public finance, capital markets and corporate sectors. AmeriVet Securities, Inc. is headquartered in New York City with offices in Chicago and Moreno Valley, California. The firm has 29 employees, five of whom work in New Jersey as the result of the hybrid work arrangement instituted by the firm to address the pandemic. AmeriVet Securities, Inc. specializes in the capital markets, public finance, institutional agency trading and investment banking.

Mr. McLaughlin told the Members that AmeriVet Securities, Inc. has completed the Authority's Request for Qualifications, which shows that the firm has participated in several financings where they have served as a co-manager. Their experience includes serving as a co-manager on issues for the New Jersey Economic Development Authority, the New York State Transportation Development Corporation and the University of Massachusetts Building Authority.

Mr. McLaughlin stated that the firm has reported excess net capital of over \$6.6 million with the ability to leverage that amount to underwrite in excess of \$71 million without a backstop. Our primary contact will be Steven Kay, Senior Vice President, who works out of the New York City office.

Mr. McLaughlin concluded by saying that, based upon the information provided, the firm has demonstrated that it is qualified under the Authority's standards to serve as a co-manager. He then said that the Authority staff recommends approving the addition of AmeriVet Securities, Inc. to the Authority's list of approved bankers as a co-managing underwriter.

Mr. Brown asked for a motion to approve the resolution adding AmeriVet, Inc. to the Authority's Qualified Bankers List as a co-managing underwriter. Dr. Kazmir offered 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 then called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. VV-23

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves AmeriVet Securities Inc. to be added to the Authority's Qualified Bankers List as a co-managing underwriter.

4. APPROVAL OF A MEMORANDUM OF AGREEMENT WITH THE DEPARTMENT OF HEALTH FOR ARCHITECTURAL REVIEW SERVICES

Mr. Brown called upon Bill Lohman to present the details of the Memorandum of Agreement with the Department of Health

Mr. Lohman informed the Members that, since 1997, the New Jersey Health Care Facilities Financing Authority (the "Authority") has provided Architectural Review Services to the Department of Health (DOH). The most recent renewal was in August 2018, when a new Memorandum of Agreement was executed. Under that Memorandum of Agreement, the Authority's Construction Compliance Officer provides the following:

- Conducts review of construction and renovation projects submitted by health care facilities to determine compliance with physical plant standards, patient flow issues, and

licensing requirements (including compliance with the Facility Guidelines Institute's guidelines for healthcare design).

- Reviews and processes requests for waivers from licensing requirements submitted by health care facilities, providing recommendations with associated rationale in cases where it was determined that waivers were warranted.
- Participates as a team member in functional review meetings held at the Department's office.

Mr. Lohman further stated that the Memorandum of Agreement expired on June 30, 2021. He then directed the Members to the proposed Renewal Agreement provided in their meeting materials.

According to Mr. Lohman, the Renewal Agreement is essentially the same as the previous Memorandum of Agreement. Under the Renewal Agreement, the Authority's Construction Compliance Officer spends up to two and one half business days (17.5 hours) per week performing the above-mentioned services for the Department of Health. The Department reimburses the Authority for a commensurate amount of the Construction Compliance Officer's salary, benefits and other related costs incurred by the Authority. The form of the Renewal Agreement is similar to that of our arrangement with the DOH for collection and review of Financial Data and Data Analysis. The Renewal Agreement would be effective for the period July 1, 2021 through June 30, 2024 and specifies the amount that the DOH will reimburse the Authority.

Mr. Lohman concluded by saying that the Office of the Attorney General has no objection to the Members' consideration of this Renewal Agreement. The Authority staff, therefore, recommends the approval of the Renewal Agreement. He then offered to answer any questions from the Members. There were no questions.

Mr. Brown asked for a motion to approve of Memorandum of Agreement for Architectural Review Services with the Department of Health. Dr. Kazmir offered 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 then called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. VV-24

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby authorizes the approval of the Memorandum of Agreement with the Department of Health, Division of Health Facilities Evaluation and Licensing for Architectural Review Services

5. 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. 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. VV-21

WHEREAS, the Members of the Authority have reviewed the memoranda dated August 18, 2021 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$39,080.00 and \$22,397.50 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

Mr. Brown thanked staff for the Project Development Summary, Cash Reconciliation Report, Semi-Annual Budget Report and Legislative Update.

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

Mr. Hopkins reported the following:

1. The Village Drive Healthcare Urban Renewal project financed by the Authority to construct a low and moderate income assisted living facility in Millville continues to experience minor delays. Originally slated to open in November of 2019, the project has been stymied by contractor delays and disputes, followed by the pandemic, and currently some material and other delays. The elevators were pre-inspected by the contracted and had a problem with the changeover from regular power to emergency power. This issue must be corrected before the final inspection. The attic lighting issue is being resolved. Re-hydro seeding bare areas of the lawn is needed before inspection by the Soil District. Quotes are being obtained for sealing and striping the older parking areas of the former hotel. Fire alarms approval has been granted. Plumbing inspections are being conducted at a rate of about 10 rooms per each day. Inspections by the building department are ongoing. We are now hopeful a Certificate of Occupancy can be obtained during September.

2. Coronavirus News

- a. There has been a continued increase of people hospitalized in New Jersey from COVID-19 from 369 on July 22nd to 1,012 on August 24th, which is still down significantly from the peak of 8,270 on April 14, 2020. The rate of transmission in New Jersey, however, has decreased slightly to 1.19 from last month's reported 1.40. Since the first case on March 4, 2020, 941,896 New Jersey residents have tested positive for COVID-19 with another 138,004 probable. 26,796 have died of confirmed or probable COVID-19. Nationally, according to the New York Times, as of August 24, 2021 there have been 38,193,758 cases and 631,050 deaths from COVID-19 and an average of 94,082 people were hospitalized over the previous 14 days. In New Jersey 10,981,825 vaccines have been administered, providing 69% of the entire population with at least one dose of the vaccine. 5,514,728 are fully vaccinated or 61% of the entire population, including 72.8% of those 18 and over and 85% of those 65 and over. In the United States, 202 million people have received at least one dose of the vaccines, including 171.4 million, or 52%, who have been fully vaccinated.
- b. The FDA granted full approval of the Pfizer COVID-19 vaccine on August 23, 2021 for people 16 years of age and older. Moderna has submitted their application for full FDA approval.
- c. On August 23, 2021, Governor Murphy said that all State workers, including those at this Authority, would be required to be fully vaccinated by October 18th or submit to weekly testing for COVID-19. The Governor's Authorities Unit also informed us that we could continue to work half-time in the office and half-time remotely until October 18th; we had previously been instructed to return to the office full-time on September 7th.
- d. On August 6, 2021, Governor Murphy issued an Executive Order requiring that all students, staff and visitors be required to wear masks at schools. On July 28th, the Governor strongly recommended, but did not mandate, that everybody wear a mask indoors regardless of vaccination status.
- e. Two studies released yesterday by the CDC found that:
 - i. unvaccinated people were 4.9 times more likely to be infected by COVID-19 and 29.2 times more likely to be hospitalized; and
 - ii. while vaccines are less protective against the Delta variant of COVID, they reduce risk of infection by 66%.
- f. Finding that the effectiveness of the available vaccines wanes over time, the CDC approved the use of booster shots for the immunocompromised this month and

starting September 20th, recommended booster shots eight months after their last COVID vaccine shot.

- g. NJ Spotlight has found that recently there have been significantly more breakthrough cases and deaths from COVID among those who have been vaccinated. The Delta variant is likely to blame as the earlier cases were other variants and the increase in cases and deaths increased significantly as the delta variant became the dominant strain in New Jersey.
- h. On August 18th, the TSA announced that it was extending the mask mandate on planes, trains, subways and buses until January. The mandate was previously set to expire in September.
- i. The American Hospital Association supports hospitals and health systems that adopt mandatory COVID vaccination policies. A number of New Jersey hospitals and health systems have mandated that employees get vaccinated, including Hackensack Meridian Health, RWJBarnabas Health, Trinitas Regional Medical Center, University Hospital and Virtua Health.
- j. Early studies evaluating the effectiveness of various vaccines against the delta variant of COVID show the Pfizer was 87% to 88% effective against symptomatic infection, Moderna was 72% effective and the Johnson & Johnson variant was 67% effective. Besides being early in the delta outbreak, many of these studies were small and not peer-reviewed so the findings should be taken with a grain of salt.
- k. A number of additional articles on the delta variant have been provided, including:
 - i. the Delta variant causes more severe illness and spreads more easily;
 - ii. the Delta variant affects children more readily, including more hospitalizations;
 - iii. models for the Delta variant predict a sharp increase in deaths;
 - iv. Delta variant behind new mask warnings; and
 - v. Hackensack University Medical Center's lab at the Center for Discovery and Innovation is looking for links between the Delta variant and unvaccinated people.

3. New Jersey Hospital News

- a. The Federal Trade Commission ("FTC") was granted a preliminary injunction against the proposed merger of Hackensack Meridian Health and Englewood Health. The FTC claims the proposed merger would eliminate competition between the two systems and would result in the newly combined system controlling more than half the hospitals in Bergen County. The court's opinion is under seal but an FTC spokesperson noted: "Too many hospital mergers lead to

jacked up prices and diminished care for patients most in need.” The CEOs of Hackensack Meridian Health and Englewood Health said the merger would reduce costs and create more ambulatory care centers, urgent care centers and physician offices. They also noted that, during the pandemic, partnerships helped offset supply shortages to meet patient needs.

- b. Atlantic Health System’s Morristown Medical Center and Hackensack Meridian Health’s Hackensack University Medical Center tied for best hospitals in New Jersey according to the U.S. News & World Report. The hospitals also tied for 7th in the New York City area and each had three specialties ranking in the top 50 in the country. Other hospitals receiving rankings were Valley Hospital at 3rd, Overlook Medical Center at 4th, Saint Barnabas Medical Center 5th, Robert Wood Johnson University Hospital 6th, AtlantiCare Regional Medical Center (Atlantic City), Cooper University Health Care, and Jersey Shore University Medical Center tied for 7th, Jefferson Health Cherry Hill, Stratford and Washington, Virtua Our Lady of Lourdes Hospital and Virtua Voorhees Hospital tied for 10th and Riverview Medical Center 13th.
- c. University Hospital’s liver transplant program was ranked 4th in the region for its one-year survival rate of 98.75% according to the Scientific Registry of Transplant Recipients. It is the second year in a row University Hospital ranked among the region’s leaders.
- d. Virtua Health president and CEO Dennis Pullin has been named to the American Hospital Association’s Board of Trustees. His term will begin January 1st, 2022.
- e. Hackensack Meridian Mountainside Medical Center has announced that Yang “Linda” Chen will be its new Chief Financial Officer. Ms. Chen has held financial leadership positions at a number of hospitals and health systems, including most recently at Prime Healthcare in Pennsylvania.
- f. Saint Peter’s University Hospital and Jefferson Health were among 16 health systems hit by the Elekta data breach. Only the records of 585 patients at Saint Peter’s were affected and an unknown amount of patient records from Jefferson Health were affected.
- g. Many United States hospitals are not in compliance with the federal policy that requires facilities to post prices online for patients to review according to a report by Patients’ Rights Advocate. Five hospitals in New Jersey were found to be noncompliant: Hackensack University Medical Center, Morristown Medical Center, Robert Wood University Hospital, Saint Barnabas Medical Center and Valley Hospital.
- h. Jersey City Medical Center will receive approximately \$16 million annually through a new hospital pilot program from State and federal Medicaid payments for hospitals in low-income communities. Hospitals in seven counties will receive

an additional \$375 million annually from the new program. The counties included in the County Option Hospital Fee Pilot Program are Atlantic, Camden, Essex, Hudson, Mercer, Middlesex and Passaic.

4. Rating Agency News and Comments

- a. Fitch Ratings and S&P Global Ratings have each assigned an “AA-” rating to approximately \$201 million in bonds expected to be issued by the Authority on behalf of AtlantiCare Health System next month. Both rating agencies assigned an outlook of “Stable” to the bonds. This is the first stand-alone rating AtlantiCare has received since separating from Geisinger Health in 2020, which it joined in 2015.
- b. Fitch Ratings released its “2021 Median Ratios: Not-for-Profit Hospitals and Healthcare Systems” using audited 2020 data, which shows an uneven mixture of generally modest improved balance sheet metrics and deterioration in operating margins. Overall, of the 213 hospitals sampled, operating margin fell to 1.5% in 2020 from 2.3% in 2019 but Days Cash on Hand increased to 241.2 from 219.8.
- c. Fitch also released Fitch Wires entitled “Relentless Cyber Attacks to Pressure NFP Hospitals’ Operations” and “US Healthcare System to Expand, Adapt to Long-Term COVID-19 Fallout.”
- d. On July 26th, Moody’s Investors Service released a Sector Comment on U.S. Hospitals entitled “Labor costs, patient volumes, insurer mix and US policy will influence credit quality” and a Sector Comment on U.S. Healthcare Services entitled: “Surprise billing ban still negative, but new rules offer some positive nuggets.”

5. New Jersey Health Care News

- a. An additional article explaining the County Option Fee Pilot Program, which will provide hospitals in seven low-income counties with an additional \$375 million in federal and State Medicaid funds annually, has been provided.
- b. New Jersey Citizen Action and the American Federation of Teachers NJ have joined a lawsuit which seeks to invalidate the hospital tax exemption statute based on their argument that it goes against the New Jersey Constitution’s uniformity and exemption clauses regarding taxation. The law was passed last year and reinstates property tax exemption for nonprofit hospitals that was effectively overturned by a 2015 tax court case. The law also implements a community service contribution from hospitals of \$3.00 per bed per day and \$300 per satellite emergency department per day to benefit the host municipality and county.
- c. New Jersey lawmakers have approved a measure to require insurance companies to cover the cost of virtual medical and behavioral health care visits at the same rate they would cover in-person services. This would encourage the retention and

expansion of telehealth services, which proved instrumental in helping patients through the pandemic.

- d. According to a survey by Consumers for Quality Care, 61% of New Jerseyans want small targeted fixes to the health care system, not a complete overhaul, to address the rising costs of health care.
- e. Not health care news but important to the Authority, Governor Murphy has named current Deputy Chief Counsel and Director of the Governor's Authorities Unit, Brian Wilton, to the new position of General Counsel to New Jersey Transit. Mr. Wilton was named Deputy Chief Counsel in 2018 and he is expected to start his new position in mid-September. Mr. Hopkins wished him the best in his new position. His successor has not yet been named.

6. National Health Care News

- a. Kaufman Hall's July and August Hospital Flash Reports were distributed to the Members on Wednesday along with the articles discussed today.
- b. A report from The Commonwealth Fund was also provided entitled "Mirror, Mirror 2021 Reflecting Poorly: Health Care in the U.S. Compared to Other High-Income Countries." It found that the U.S. ranked last among eleven wealthy nations in health care and most expensive as a percentage of GDP.
- c. The Centers for Medicare and Medicaid Services ("CMS") started requiring hospitals to post their prices online effective January 1, 2021, however it has been holding off on fining providers who have failed to abide by the price transparency rule, sending warning letters instead.
- d. Harvard Medical School researchers have "found that hospitals with a higher share of Medicare patients had lower and more rapidly declining profits and an increased likelihood of closure or acquisition compared to hospitals that were less reliant on Medicare." The researchers believe that the resulting change in market structure could lead to high commercial insurance prices, especially after mergers and acquisitions. It has long been believed that hospital mergers and acquisitions lead to higher prices but this study points to an explanation for the increase.
- e. A report in the Journal of Healthcare Finance by researchers from Harvard and the Urban Institute urges policymakers to use audited financial statements from hospitals and health care systems when making consequential policy decisions. They further encouraged the creation of a national database of hospital and health care system audited financial statements be made available to the public for research. Currently the Medicare Cost Report is the only national repository for hospital financial information. The researchers believe using audited financial statements would have resulted in a more fair distribution of COVID-19 aid to

hospitals. Poorer hospitals received less aid than they should and more wealthy hospitals received more aid than required.

- f. A number of articles are being provided on the Biden administration's directive to the FTC to more carefully review hospital mergers, including that reviews of mergers and acquisition can be initiated even after statutory deadlines and the American Hospital Association's argument that most hospital mergers are not anticompetitive and its request to meet with administration policymakers on the directive for hospital mergers and acquisitions.

7. Bond and Tax Legislation and Regulatory News

- a. The recent advancing federal infrastructure bills have so far not included the resumption of advance refunding of tax-exempt bonds or the expansion of bank qualified bonds. Instead they have included new Build America-style taxable bonds that will be eligible for a portion of the bonds to be paid directly by the federal government. Taxable municipal bonds have increased from a very small percentage to 30% of the market over the last two-and-a-half years, due largely to the current low interest rate environment and the lack of ability to advance refund tax-exempt bonds. It is expected that if this new Build America-style bond product is approved it could significantly overtake the issuance of tax-exempt bonds.

Mr. Brown added his congratulations to Brian Wilton being appointed as the first General Counsel to New Jersey Transit.

As there was no further business, Mr. Brown asked for a motion to adjourn. Dr. Kazmir made the motion and Mr. Lovell seconded. All Members voted in the affirmative. 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 AUGUST 26, 2021.

Cindy Kline, Assistant Secretary