

Minutes of the New Jersey Health Care Facilities Financing Authority regular Meeting held on September 23, 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, Frank Troy, Alpa Patel, Ellen Lieber, Cindy Kline and Chris Kniesler; and, via telephone, Ron Marmelstein, Bill McLaughlin, Taryn Rommell, Edwin Fuentes, Michael Solidum and Tracey Cameron

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

Via telephone, Victoria Nilsson, Attorney General's Office; Jeffrey Nielsen, Governor's Authorities Unit

## **CALL TO ORDER**

Prior to the start of the meeting, Mr. Hopkins informed the members that Victoria Nilsson, was representing the Attorney General's Office and Jeffrey Nielsen was representing the Governor's Authorities Unit.

Mr. Brown called the meeting to order at 10:04 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 August 26, 2021 Authority Meeting**

Minutes for the Authority's August 26, 2021 Meeting were distributed for review and approval prior to the meeting. Mr. Brown asked for a motion to approve the minutes. Dr. Kazmir made the motion. Mr. Lovell seconded. Mr. Brown asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown called for a vote. All Members voted in the affirmative and the minutes were approved.

## **2. CONTINGENT BOND SALE & TEFRA HEARING RWJBarnabas Health**

Mr. Brown called upon Bill McLaughlin to provide the Members with the details of the AtlantiCare Health bond sale.

Mr. McLaughlin reported that, on August 31, 2021, the Authority staff along with the senior managing underwriter, Bank of America Securities, priced the \$216,995,000 publicly issued tax-exempt Series 2021 bond financing on behalf of AtlantiCare Health System. The bonds were rated AA- by both Standard & Poor's and Fitch Ratings.

According to Mr. McLaughlin, the proceeds of the Series 2021 bonds will be used to: (1) refinance a taxable commercial bank loan taken by the Borrower, the proceeds of which were used by the Borrower to repay the Borrower's debt to Geisinger Health, which upon the dissociation from Geisinger Health, necessitated the refunding, repayment, and/or defeasance of the Borrower's outstanding indebtedness of Geisinger Health; (2) reimburse the Borrower for the costs of planning, development, acquisition, construction, equipping, expansion, furnishing and renovation of all or a portion of one or more of the various capital projects of the Borrower and its affiliates; (3) fund a debt service reserve fund for the Series 2021 Bonds, if necessary; and (4) pay certain costs incurred in connection with the issuance and sale of the Series 2021 Bonds.

Mr. McLaughlin noted that the transaction was structured with fixed rate serial bonds maturing from 2020 to 2039 and bi-furcated fixed rate term bonds maturing in 2046 and 2051.

Mr. McLaughlin reported that the order period began at 9:45 a.m. with the following priority of orders: New Jersey Individual Retail; National Individual Retail; Net Designated; and Member. At the conclusion of the order period, the underwriting team had received orders totaling over \$1.1 billion from 66 unique investors. 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 2.419% to 2.403%.

Bank of America Securities made an offer to underwrite the bonds at the new levels and the Authority staff gave the verbal award. Yields on the Series 2021 serial bonds ranged from .11% for the 2023 maturity to 2.15% for the 2041 maturity. Yields for the fixed rate term bonds are as follows: for the 2.375% coupon term bond maturing on July 1, 2046, a yield to call of 2.530%; for the 3.000% coupon term bond maturing on July 1, 2046, a yield to call of 2.300%; for the 2.500% coupon term bond maturing on July 1, 2051, a yield to call of 2.570%; and for the 3.000% coupon term bond maturing on July 1, 2051, a yield to call of 2.340%.

Mr. McLaughlin concluded by stating that the transaction closed on September 15, 2021 and that the Members could find additional details in the Bond Pricing Summary which was included in their meeting materials. He then offered to answer questions from the Members. There were no questions.

Mr. Brown reminded the Members that this presentation was for informational purposes only and that no action was required by the Members.

### 3. 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-22

*WHEREAS*, the Members of the Authority have reviewed the memoranda dated September 15, 2021 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$24,481.00 and \$3,897.56 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.

### 4. STAFF REPORTS

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

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

Mr. Hopkins informed the Members that Alpa Patel will be contacting the Finance Committee Members regarding an upcoming meeting potentially during the second week of November.

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 is nearly complete. Originally slated to open in November of 2019, the project was stymied by contractor delays and disputes, followed by the pandemic, and subsequently some material delays. Almost all the plumbing and electrical inspections have been completed. Building inspection will follow completion of those inspections. The Department of Community Affairs is expected to inspect the elevators this week. We are now hopeful a Certificate of Occupancy can be obtained in the next two weeks.
2. Governor Murphy has appointed Noreen Giblin as his Deputy Chief Counsel and Director of the Governor's Authorities Unit, replacing Brian Wilton, who joined New Jersey Transit as General Counsel earlier this month. Ms. Giblin had been Cabinet

Secretary for the administration and Chief Counsel at the Board of Public Utilities, where she also served as Chief of Staff during the Corzine administration.

### 3. Coronavirus News

- a. There has been a slight increase of people hospitalized in New Jersey from COVID-19 from 1,012 on August 24<sup>th</sup> to 1,152 on September 21<sup>st</sup>, 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 1.06 from last month's reported 1.19. Since the first case on March 4, 2020, 990,671 New Jersey residents have tested positive for COVID-19 with another 148,696 probable. 27,264 have died of confirmed or probable COVID-19. Nationally, according to the New York Times, as of September 21, 2021 there have been 42,404,380 cases and 678,557 deaths from COVID-19 and an average of 91,803 people were hospitalized over the previous 14 days. In New Jersey 11,517,763 vaccines have been administered, providing 72% of the entire population with at least one dose of the vaccine. 5,611,934 are fully vaccinated or 64% of the entire population, including 75.9% of those 18 and over and 86% of those 65 and over. In the United States, 212.3 million people have received at least one dose of the vaccines, including 182 million, or 55%, who have been fully vaccinated.
- b. On September 9<sup>th</sup>, President Biden announced executive orders requiring that (i) all employers with more than 100 workers would be required to enforce a vaccine mandate on their employees or subject them to weekly testing; (ii) all workers at health facilities receiving Medicare or Medicaid will be required to be vaccinated; and (iii) all federal executive branch workers and contractors who do business with the federal government have to be vaccinated.
- c. Governor Murphy announced that all child care workers in New Jersey will be required to be fully vaccinated by November 1<sup>st</sup> or be subject to weekly testing.
- d. The Food and Drug Administration advisory panel did not recommend the broad approval of COVID-19 vaccine booster shots for anyone over 16. Instead it recommended booster shots only for those 65 and older and those at high risk. Yesterday, the FDA confirmed the advisory panel's recommendation. Several additional articles are included on the efficacy of booster shots and plans to offer them.
- e. The highly contagious delta variant of COVID-19 made up 98.8% of all New Jersey samples tested for the four weeks ending August 28<sup>th</sup>.
- f. Federal data shows COVID-19 deaths among people under 55 have reached the highs near 1,800 a week, matching last winter's surge. The surge is attributed to the unvaccinated and the delta variant. Unvaccinated Americans are 4.6 times more likely to contract COVID-19, 10 times as likely to be hospitalized and 11 times as likely to die.
- g. Through August 30<sup>th</sup>, 18,930 fully vaccinated people in New Jersey had tested positive for COVID-19 known as breakthrough cases, which is 0.35% of the 5.3

million people in New Jersey that had been fully vaccinated by that date. Of those, 386 were hospitalized and 97 died. Among the 12,051 New Jerseyans who tested positive for COVID-19 the week of August 23<sup>rd</sup> through the 29<sup>th</sup>, only 2,603 were vaccinated, meaning 78.5% of the cases were among the unvaccinated.

- h. NJ Spotlight reports that another 1,500 New Jerseyans are likely to die and hospitalizations are likely to double by December if mask-wearing, social engagement and immunization levels remain relatively stable.
- i. Monoclonal antibody treatments have shown success against COVID-19 cases in New Jersey according to Commissioner Persichilli and reports from the Chief Medical Officer at Trinitas Regional Medical Center.
- j. Pfizer says it has successfully completed a study of its COVID-19 vaccine in children 5 to 11 and announced that it will seek emergency use authorization for use of its vaccine on that age group soon. The dosage tested for 5 to 11 year olds was about 1/3<sup>rd</sup> the dosage used for adults. The Pfizer vaccine is fully approved in the U.S. for those 16 and over and has received emergency use authorization for those 12 to 15.
- k. A study by the Centers for Disease Control and Prevention on September 10<sup>th</sup> found that the Moderna vaccine was 95% effective in preventing hospitalizations, Pfizer was 80% effective and Johnson & Johnsons was 60% effective. The results are from 32,000 people treated for COVID-19 in hospitals, emergency rooms and urgent care centers in nine states between June and early August. Another study of 2,500 workers at a Belgian hospital system, found the Moderna vaccine created more than twice as many antibodies as the Pfizer vaccine. The higher dosage of the active ingredient in the Moderna vaccine and the longer interval between doses are cited as possible reasons in both studies for the difference.
- l. The mu variant of COVID-19 which first appeared in Columbia has been named by the World Health Organization as a variant of concern. Early data suggests it may be somewhat more resistant to current vaccines and monoclonal antibody treatments. So far it does not appear to be as transmissible as the delta variant. The mu variant has been found in 39 countries, including the U.S. As of September 10<sup>th</sup>, 16 cases had been identified in New Jersey.
- m. Deborah Visconi, President and CEO of Bergen New Bridge Medical Center, had a breakthrough case of COVID-19 despite being vaccinated with the Pfizer vaccine in January. She was treated with monoclonal antibodies and continued to work from home.
- n. Additional stories on COVID-19 include:
  - i. Long COVID-19 infection has been tied to higher kidney risks;
  - ii. There is no evidence that children are harmed by wearing masks to prevent transmission of COVID-19;

- iii. New Jersey was among the 10 states in the country with the largest seven day increase in cases the week of August 29<sup>th</sup>;
- iv. Believed to be largely attributable to the pandemic, there has been a significant rise in psychiatric cases such as acute anxiety, drug overdoses, suicidal thoughts and other crises that are forcing hospitals to explore alternatives like increasing inpatient behavioral health services;
- v. Vaccine mandates are already causing New Jersey hospitals to experience nursing shortages;
- vi. The surge in COVID-19 cases from the delta variant is again pressuring the recovery of the hospital sector; and
- vii. The U.S Department of Health and Human Services announced an additional \$25.5 billion in health care provider relief funding for those who can document revenue losses and expense increases due to COVID-19.

#### 4. New Jersey Hospital News

- a. Hackensack Meridian Health and Englewood Health are appealing the preliminary injunction against their proposed merger granted to the Federal Trade Commission (“FTC”) by the U.S. District Court in New Jersey.
- b. Hackensack Meridian Health is seeking to sell some or all of its 16 long-term care facilities, assisted living facilities and other sub-acute care facilities, citing the impact from the COVID-19 pandemic on long-term care facilities.
- c. RWJBarnabas Health announced the departure of the Chief Executive Officer, Chief Operating Officer, Chief Nursing Officer and the Vice President of Ambulatory Services of Saint Barnabas Medical Center on September 7<sup>th</sup>. Richard Davis and Jennifer O’Neill were announced as the hospital’s new CEO and COO respectively. Mr. Davis had previously been the Chief Financial Officer of the system’s northern region.
- d. Holy Name Medical Center was forced to close temporarily on the night of September 1<sup>st</sup> due to flooding from the remnants of Tropical Storm Ida. On September 20<sup>th</sup>, Holy Name also unveiled a new logo and branding initiative.
- e. AtlantiCare held a topping off ceremony for its \$38.3 million medical arts pavilion across the street from the hospital in Atlantic City. The 69,700 square foot facility will house an urgent care center, a dialysis clinic, medical education classrooms, simulation labs and an auditorium. The building is expected to be completed next fall.
- f. CarePoint’s CEO offered an update on the three-hospital system in Hudson County that has been up for sale for the last few years. The sales have been

complicated by the complex ownership structure of the facilities and the fact that different entities own the properties and the operations at each facility.

- g. The Lown Institute has issued its Index of Social Responsibility ranking hospitals for health equity and social responsibility. Only 75 out of 3,000 hospitals received an “A” grade. The top ten hospitals on the Index included CarePoint Health – Christ Hospital in Jersey City and Saint Michael’s Medical Center in Newark.

#### 5. Rating Agency News and Comments

- a. Moody’s Investors Service assigned a “Aa3” rating and S&P Global Ratings assigned an “AA-” rating to approximately \$750 million in bonds expected to be issued by the Authority on behalf of RWJBarnabas Health at the end of this month. Moody’s upgraded its previous rating on RWJBarnabas’ previously issued debt from “A1” to “Aa3” and revised its outlook from “Positive” to “Stable.” S&P affirmed its “AA-” rating on RWJBarnabas’ previous debt and maintained an outlook of “Stable.”
- b. Fitch Ratings affirmed its “BB-” issuer default rating on \$254,975,000 of bonds issued by the Authority on behalf of University Hospital in 2015. The rating outlook remains “Stable.”
- c. 2020 nonprofit hospital medians from Moody’s and S&P were also provided to Authority Members yesterday along with an article on hospital consumerism from Kaufman Hall and the credit ratings for all New Jersey hospitals as of September 13, 2021, that was prepared by Frank Troy.

#### 6. National Health Care News

- a. New Jersey hospitals will get an additional \$150 million in federal funding as a result of the Biden administration’s (i) reversal of an action taken by the Trump administration in 2018 to eliminate the rural wage designation of several New Jersey hospitals previously considered eligible for rural wage under a waiver since 2005; and (ii) delaying another Trump era decision to remove hospitals in Middlesex, Monmouth and Ocean counties from the higher New York-Newark-Jersey City statistical area for Medicare reimbursement rates until September of 2022.
- b. The U.S. Department of Health and Human Services is creating a new Office of Climate Change and Health Equity to encourage hospitals to reduce carbon emissions. Although transportation is the largest source of carbon dioxide emissions, the health care system in the country is estimated to account for about 10% of U.S. emissions, according to a report from The Commonwealth Fund.
- c. Jeffries reports that its poll of hospital executives shows that they expect pressure from the delta variant of COVID-19 to negatively impact elective and non-emergent hospital volumes through the fourth quarter of 2021.

- d. Kaiser Health News has an interesting article on how non-profit health systems have health care venture capital ambitions which bring their charitable mission into conflict with money raising ventures.
- e. An article in the New England Journal of Medicine's Catalyst entitled "The Health Care Utility Model: A Novel Approach to Doing Business" discusses the unique formation of CivicaRX, a new manufacturer of generic pharmaceuticals, with the mission to make quality generic pharmaceuticals accessible and affordable to everyone. CivicaRx was created in 2018 by large health systems and philanthropies, including Catholic Health Initiatives (now CommonSpirit), HCA Healthcare, Intermountain Healthcare, the Mayo Clinic, Providence, SSM Health and Trinity Health along with the Laura and John Arnold Foundation, the Peterson Center on Healthcare and the Gary and Mary West Foundation. CivicaRX now provides more than 50 generic drugs to more than 50 health care systems that comprise more than 30% of all inpatient hospital capacity as well as the U.S. Department of Veterans Affairs, the Department of Defense and the U.S. Strategic National Stockpile. CivicaRX is a nonprofit 501(c)(4) social welfare organization with no owners and all members pay the same price as any other member for the drugs purchased.

## 7. Bond and Tax Legislation and Regulatory News

- a. Despite having affirmed U.S. sovereign debt at "AAA" with a negative outlook in July, during a webinar on September 9<sup>th</sup>, Fitch Ratings analysts expressed concern that the deterioration of U.S. governance may dim the country's rating and impact state and local government ratings. The analysts noted that: "The failure of the former president to concede the election and the events surrounding the certification of the results of the presidential election in Congress in January, have no recent parallels in other very highly rated sovereigns. The redrafting of election laws in some states could weaken the political system, increasing divergence between votes cast and party representation. These developments underline an ongoing risk of lack of bipartisanship and difficulty in formulating policy and passing laws in Congress." Additional concerns were raised about the upcoming debate around raising the U.S. debt limit, without which the U.S. could default on existing debt.
- b. The House Ways and Means committee advanced a budget reconciliation bill that included reinstating advance refunding of tax-exempt bonds, the expansion of bank qualified bonds and new Build America-style taxable bonds that will be eligible for a portion of the bonds to be paid directly by the federal government. The \$3.5 billion reconciliation bill is likely to meet resistance in the Senate as at least two moderate Democratic Senators have indicated they are unlikely to vote for such a large bill, likely denying the majority that reconciliation bills need to pass the Senate.
- c. The Securities and Exchange Commission has taken action against several brokers for illegally flipping municipal bonds that were intended to be sold to retail investors. RBC Capital Markets, its head of municipal sales Kenneth



Friedrich and head of its municipal trading desk Jaime Durando paid fines and agreed to other restrictions, without admitting guilt. Also, former Drexel Hamilton broker Anthony Falsetta surrendered his license and paid a civil penalty but did not admit guilt in another flipping investigation.

As there was no further business, Mr. Brown asked for a motion to adjourn. Dr. Kazmir made the motion and Ms. Ford seconded. All Members voted in the affirmative. The meeting was adjourned at 10:29 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 SEPTEMBER 23, 2021.

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Cindy Kline, Assistant Secretary