Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on September 24, 2020 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

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

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

Mark Hopkins, Chris Kniesler, Frank Troy, Bill McLaughlin and Cindy Kline and via telephone, Ron Marmelstein, Alpa Patel, Taryn Rommell, Tracey Cameron

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

Via telephone, George Loeser Attorney General's Office and Lauren LaRusso, Governor's Authorities Unit

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:07 a.m. and announced that this was the regular meeting of the Authority, held in accordance with the schedule adopted at the May 28, 2020 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 23, 2020 Authority Meeting

Minutes for the Authority's August 27, 2020 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. Rodriguez seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir then called for a vote on the motion. All members voted in the affirmative and the minutes were approved.

2. RESOLUTION CREATING A SEPARATE ANNUAL FEE SCHEDULE FOR MUNICIPAL TAXABLE BONDS

Dr. Kazmir asked Executive Director Mark Hopkins to present the proposal to create a separate Annual Fee Schedule for municipal taxable bonds.

Mr. Hopkins began by reminding the Members that the New Jersey Health Care Facilities Financing Authority's (the "Authority") philosophy behind its fee structure is to ensure the Authority collects only the fees it needs to fulfill its mission to provide efficient, low-cost financing to health care organizations and to match, as closely as possible, the services provided to the borrower with the costs to the Authority.

Mr. Hopkins remarked that recently low interest rates and the narrowing of the spread between tax-exempt and taxable bonds has made it advantageous for some borrowers to issue taxable bonds instead of municipal tax-exempt bonds. The Authority is authorized to issue both municipal tax-exempt bonds and municipal taxable bonds on behalf of its borrowers. Despite this, many health care borrowers that have traditionally issued bonds through the Authority have chosen to issue corporate taxable bonds directly, rather than municipal taxable bonds through the Authority.

Mr. Hopkins told the Members that interest earnings on municipal taxable bonds are not exempt from federal income tax, but they are exempt from New Jersey state income tax. However, interest earnings on corporate taxable bonds are exempt from neither federal income tax nor New Jersey state income tax. In addition, there are some redemption and other structuring flexibility advantages to issuing municipal taxable bonds instead of corporate taxable bonds.

According to Mr. Hopkins, in order to make the issuance of municipal taxable bonds more attractive and cost-efficient for Authority borrowers, the Authority staff recommends creating a two and one half (2.5) basis point lower annual fee for municipal taxable bonds during the first ten (10) years the bonds are outstanding and a one (1) basis point lower annual fee for municipal taxable bonds for any period they are outstanding after ten (10) years. These lower annual fees are possible and advisable because the costs to the Authority of issuing municipal taxable bonds are less than the issuance of tax-exempt bonds due to the reduced requirements for tax-exempt compliance monitoring, including monitoring the use of bond proceeds, the investment of bond proceeds and the requisition of bond proceeds.

Mr. Hopkins stated that the Authority staff believes this annual fee structure is consistent with the mission of the Authority to ensure that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State and its goal of collecting only the fees it needs to fulfill its mission to provide efficient, low cost financing to health care organizations and to match, as closely as possible, the services provided to the borrower with the costs to the Authority.

Specifically, the lower annual fee schedule for municipal taxable bonds that the Authority staff is recommending is:

(i) An annual fee of three (3) basis points, calculated on the declining outstanding principal amount of bonds, for each of the first ten years the municipal taxable bonds are outstanding shall be applied solely for those municipal taxable bonds that involve (i) no more than six requisitions, and (ii) exhaust all of the bond proceeds within six months of closing (including any current refunding of bonds); or

(ii) An annual fee of three and one half (3.5), calculated on the declining outstanding principal amount of bonds, for any municipal taxable bonds for each of the first five years the municipal taxable bonds are outstanding shall be applied to those municipal taxable bonds that require (i) more than six requisitions, or (ii) for which the entire proceeds will not be disbursed by the Authority within six months of closing; after the first five years, the annual fee applied will be reduced to three (3) basis points for each of the next five years; and

(iii) After ten (10) years, the annual fee applied to municipal taxable bonds will be two (2) basis points, calculated on the declining outstanding principal amount of bonds.

Mr. Hopkins noted that the Initial Fee and Per Series Fees for municipal taxable bonds are recommended to remain the same as for municipal tax-exempt bonds, i.e. two and one half (2.5) basis points based on the original principal amount of the bonds, plus $10,000 per series of bonds. Until December 31, 2020, initial fees will be applied to up to the first $104,400,000 in bonds (the “Initial Fee Cap”). Thereafter, the Initial Fee Cap will be adjusted in January of each year by the average of the prior year’s annual increase or decrease in the CPI-U of New York City and Philadelphia.

Mr. Hopkins concluded by saying that the Authority staff is recommending adoption of the resolution provided in the Members’ meeting packets to effectuate the proposed new fee structure for municipal taxable bonds.

Mr. Hopkins then offered to respond to any questions or comments from Authority Members, Authority borrowers or the public. There were no questions.

Dr. Kazmir asked for a motion to adopt the resolution to create a separate Annual Fee Schedule for municipal taxable bonds. Mr. Lovell made the motion. Ms. Ford seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir then called for a vote on the motion. All members voted in the affirmative and the motion passed.

AB RESOLUTION NO. UU-10

RESOLUTION CREATING A SEPARATE ANNUAL FEE SCHEDULE FOR MUNICIPAL TAXABLE BONDS

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 Authority has the power to fix and revise fees charged to borrowers from time to time, pursuant to Section 5(m) of the Act; and

WHEREAS, the Authority's fee schedule has been structured to ensure that the Authority collects only the fees it needs to fulfill its mission to provide efficient, low cost financing to health care organizations and to match, as closely as possible, the services provided to the borrower with the costs to the Authority; and,

WHEREAS, the Authority's fee schedule was last revised in 2016; and

WHEREAS, due to the unusually low interest rate environment and the narrow spread between tax-exempt and taxable bonds there has been a significant increase in the issuance of municipal taxable bonds since 2016, including for health care borrowers; and,

WHEREAS, the costs to the Authority of issuing municipal taxable bonds are less than the issuance of tax-exempt bonds due to, but not limited to, the reduced requirements for tax-exempt compliance monitoring, investments of bond proceeds and requisitioning of bond proceeds; and,

WHEREAS, in order to facilitate accommodate the economically efficient issuance of municipal taxable bonds on behalf of Authority borrowers, Staff is recommending the separate municipal taxable bonds fee schedule outlined below, which is consistent with the mission of the Authority to ensure that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State and its goal of collecting only the fees it needs to fulfill its mission to provide efficient, low cost financing to health care organizations and to match, as closely as possible, the services provided to the borrower with the costs to the Authority.

NOW THEREFORE BE IT RESOLVED, that the Authority hereby approves the following fee schedule:

1. An annual fee of three (3) basis points for each of the first ten years the municipal taxable bonds are outstanding shall be applied solely for those municipal taxable bonds that involve (i) no more than six requisitions, and (ii) exhaust all of the bond proceeds within six months of closing (including any current refunding of bonds); or

2. An annual fee of three and one half (3.5) basis points for any municipal taxable bonds for each of the first five years the municipal taxable bonds are outstanding shall be applied to those municipal taxable bonds that require (i) more than six requisitions, or (ii) for which the entire proceeds will not be disbursed by the Authority within six months of closing; after the first five years, the annual fee applied will be reduced to three (3) basis points for each of the next five years; and

3. After ten (10) years, the annual fee applied to municipal taxable bonds will be two (2) basis points.

BE IT FURTHER RESOLVED, that the annual fee for any municipal taxable bonds subject to this new fee structure will be applied to the full outstanding principal balance of the financing (i.e. there will be no cap on which annual fees are assessed); and,

BE IT FURTHER RESOLVED, that initial fees for municipal taxable bonds will be the same as those for municipal tax-exempt bonds, i.e. two and one half (2.5) basis points based on the original principal amount of the bonds, plus $10,000 per series of bonds; and,

BE IT FURTHER RESOLVED, that until December 31, 2020, initial fees will be applied to up to the first $104,400,000 in bonds (the "Initial Fee Cap"). Thereafter, the Initial Fee Cap will be adjusted in January of each year by the average of the prior year's annual increase or decrease in the CPI-U of New York City and Philadelphia; and,

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 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.

(attached)

3. RESOLUTION ESTABLISHING THE CRITERIA FOR APPROVING MUNICIPAL TAXABLE BONDS

Dr. Kazmir called upon Bill McLaughlin to present the proposed criteria for issuing municipal taxable bonds.

Mr. McLaughlin began by telling the Members that, in the continuing pursuit of ensuring that healthcare organizations in this state continue to have access to the financial resources necessary to improve the health and welfare of the citizens of New Jersey, the Authority staff proposes the establishment of a policy governing the issuance of taxable municipal debt by this Authority.

Mr. McLaughlin said that due to the current unusually low interest rate environment there has been a significant increase in the issuance of municipal taxable bonds. The Authority's traditional borrowers are participants in this growing segment of municipal debt. According to Mr. McLaughlin, many of the requirements necessary to issue tax-exempt financings are not a necessary for taxable financings. These requirements include, but are not limited to, TEFRA Hearings, useful life calculations, and certain monitoring requirements. In order to provide our borrowers with an administratively efficient issuance framework, the Authority staff proposes a distinct set of approval conditions limited solely to municipal taxable financings.

Mr. McLaughlin explained to the Members that the approval of the Resolution Establishing Approval Criteria for Authority Issued Taxable Municipal Financings (the "Resolution") will allow for NJHCFFA borrowers to present a Request for Approval of Negotiated Sale (if not seeking a competitive sale), an Informational Presentation, and a Request for a Contingent Sale of Taxable Authority Bonds in one meeting, so long as the following conditions are met:

i. The Borrower contacts the Authority with a request for a bond counsel with adequate amount of time for appointment of bond counsel by the Attorney General's Office and for bond counsel to perform any necessary due diligence and draft the necessary documents;

ii. Completion and submission of a completed Authority Memorandum of Understanding;

iii. Submission of financial projections;

iv. The structure of the deal is finalized and the bond resolution is in final form ten (10) days prior to the Authority Meeting;

v. The bond documents are in substantially final form one (1) day before the Authority Meeting at which the Borrower expects to request approval of a Contingent Bond Sale;

vi. All necessary approvals, permits and licenses for the Project to be financed, including any Certificate of Need approval, if required, may not be required by the time of the Contingent Sale meeting, provided, however, that all necessary approvals, permits and licenses must be secured prior to the use of the proceeds of the financing for that specific aspect of the Project;

vii. Upon closing of the financing, the Authority shall receive in the Loan Agreement, Trust Agreement, Certificate of an Authorized Officer of the Borrower or other bond document, a covenant that any craft or trade workers for any current or future construction project funded in whole or part by the proceeds of the Authority's taxable financing will be paid not less than prevailing wage;

viii. There is adequate time before issuance of the bonds to conduct a thorough and compliant due diligence process.

Mr. McLaughlin concluded by telling the Members that the Attorney General's office has completed its review of the Resolution and, therefore, the Authority staff recommends the approval of the Resolution.

Dr. Kazmir asked for a motion to adopt the resolution establishing the criteria for issuing municipal taxable bonds. Ms. Ford made the motion. Mr. Paulino seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir then called for a vote on the motion. All members voted in the affirmative and the motion passed.

RESOLUTION NO. UU-11

RESOLUTION ESTABLISHING APPROVAL CRITERIA FOR AUTHORITY ISSUED TAXABLE MUNICIPAL FINANCINGS

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 Authority has the authority to enter into contracts with Borrowers necessary or incidental to the performance of its duties and the execution of its powers and shall adopt standing rules and procedures for such contracts, pursuant to Section 5(j) of the Act; and

WHEREAS, the Authority regularly enters into loan agreements, lease agreements and other finance agreements with Borrowers related to and as security for the issuance of the Authority's bonds, notes and leases; and,

WHEREAS, as a result of the changes in the health care delivery system in the State and changes in the municipal bond markets, the Authority has been reviewing its policies to ensure continued marketability and efficiency of its financings; and,

WHEREAS, due to the unusually low interest rate environment there has been a significant increase in the issuance of municipal taxable bonds since 2016, including for health care borrowers; and

WHEREAS, the Authority desires to amend certain standard provisions of its loan, lease and other finance agreements related to municipal taxable financings to better serve its Borrowers and better reflect the current municipal bond market conditions; and

WHEREAS, the Authority believes establishment of policies specifically governing required approvals for contingent sales on municipal taxable transactions are appropriate due to the absence of many of the use of proceeds, reporting, monitoring and other requirements applicable to tax-exempt financings; and

WHEREAS, in light of the current municipal bond market conditions, and in order to accommodate economically efficient issuance of municipal taxable financings on behalf of Authority Borrowers, Staff is recommending the separate approval conditions outlined below, limited solely to municipal taxable financings, which is consistent with the mission of the Authority to ensure that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State; and

NOW THEREFORE BE IT RESOLVED, that the Authority hereby adopts as its policy for municipal taxable financings the following:

A Negotiated Sale Approval (if not seeking a competitive sale of bonds), Informational Presentation and Contingent Bond Sale for the issuance of Taxable Authority Bonds may be held in one meeting, at the request of the Borrower. However, the Borrower must agree to the following conditions:

(i) the Borrower contacts the Authority with a request for a bond counsel with adequate amount of time for appointment of bond counsel by the Attorney General's Office and for bond counsel to perform any necessary due diligence and draft the necessary documents;

(ii) completion and submission of a completed Authority Memorandum of Understanding;

(iii) submission of financial projections (specific criteria to be outlined by Authority staff);

(iv) the structure of the deal is finalized and the bond resolution is in final form ten (10) days before the Authority Meeting.

(v) the bond documents are in substantially final form the day before the Authority Meeting at which the Borrower expects to request approval of a Contingent Bond Sale;

(vi) all necessary approvals, permits and licenses for the project to be financed, including any Certificate of Need approval, if required, may not be required by the time of the Contingent Sale meeting, provided, however, that all necessary approvals, permits and licenses must be secured prior to the use of the proceeds of the financing for that specific aspect of the project. This may be evidenced by either of the following being delivered to the Authority: (i) a Certificate of an Authorized Officer of the Borrower at the time of the closing of the financing covenanting the Borrower will not use any proceeds of the bonds until all necessary approvals, permits and licenses have been procured for each identified project; or (ii) a Certificate of an Authorized Officer of the Borrower after the closing of the financing but prior to the use of bond proceeds that any proceeds of the financing being used are for projects that have received all necessary approvals, permits and licenses for such project;

(vii) upon closing of the financing, the Authority shall receive in the Loan Agreement, Trust Agreement, a Certificate of an Authorized Officer of the Borrower or other bond document, a covenant that any craft or trade workers for any current or future construction project funded in whole or part by the proceeds of the Authority's taxable financing will be paid not less than prevailing wage in accordance with N.J.S.A. 26:2I-5.3 to 5.4 unless determined to be inapplicable pursuant to N.J.S.A. 26:2I-5.6.

(viii) there is adequate time before issuance of the bonds to conduct a thorough and compliant due diligence process; and

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.

(attached)

4. MODIFICATION TO THE APPROVED BANKERS LIST
Hilltop Securities, Inc.

Dr. Kazmir called upon Bill McLaughlin to explain the request to modify the Authority's Approved Bankers List.

Mr. McLaughlin told the Members that the Authority has been presented with a request by Hilltop Securities Inc. ("Hilltop") to modify the Approved Bankers List to allow the firm to serve as both a Placement Agent and a Co-managing Underwriter. The firm has been previously approved as a senior manager, financial advisor and remarketing agent.

Mr. McLaughlin stated that Hilltop has completed the Authority's Request for Qualifications and is qualified to serve in the requested capacities. The firm has reported capitalization of over

$1.78 billion. If approved, our primary contacts will be Steve Coma, Managing Director and Michelle Le, Director. Both of whom work out of the firm's Charlotte, North Carolina office.

According to Mr. McLaughlin, Hilltop has demonstrated that it is qualified under the Authority's standards to serve in each additional role requested. Based on those criteria, the Authority staff recommends approving the requested modification that allows for Hilltop Securities Inc. to serve as both a placement agent and co-managing underwriter in addition to previously approved roles of senior managing underwriter, financial advisor and remarketing agent.

Dr. Kazmir asked for a motion to adopt the resolution to modify the Authority's Approved Bankers List by approving Hilltop Securities, Inc. as a Placement Agent and Co-Managing underwriter. Ms. Rodrigues made the motion. Mr. Lovell seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir then called for a vote on the motion. All members voted in the affirmative and the motion passed.

AB RESOLUTION NO. UU-12

WHEREAS, the Members of the Authority have reviewed the memorandum dated September 16, 2020 modifying the Authority's Approved Bankers List;

NOW, THERFORE, BE IT RESOLVED, that the Authority hereby approves Hilltop Securities, Inc. as a Placement Agent and Co-managing Underwriter on the Authority's Approved Bankers List.

5. RECOMMENDATION FOR DOCUMENT IMAGING SERVICES
Alternative Micrographics, Inc.

Dr. Kazmir asked Alpa Patel to provide the Members with the Authority's recommendation for document imaging services

Ms. Patel reminded the Members that the contract for document imaging processing services for the archiving of Trustee Bank Statements and construction requisitions on CD's expired in August 2020. For the bidding process, the Authority staff sent Requests for Proposals (RFPs) to 18 vendors and also posted it on the State and Authority websites.

According to Ms. Patel, the Authority received proposals from 2 vendors. The RFP and contract are designated as a Set-Aside Contract for small business. In examining the NJ set-Aside Act, it was determined that both of the vendors were compliant. Based on the analysis of the pricing and sample billing information received from the 2 vendors, Alternative Micrographics, Inc. was the lowest responsible bidder.

Ms. Patel stated that, based on the analysis, the Authority staff recommends that the contract for document imaging processing services be awarded to Alternative Micrographics, Inc. The contract period will be for 3 years and the Authority would also reserve the right to extend the terms of the contract for a maximum of 2 additional one-year periods.

Ms. Patel concluded by saying that she or Cindy Kline would answer any questions from the Members.

Dr. Kazmir asked for a motion to adopt the resolution awarding the contract for document imaging services to Alternative Micrographics, Inc. Ms. Ford made the motion. Mr. Lovell seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir then called for a vote on the motion. All members voted in the affirmative and the motion passed.

AB RESOLUTION NO. UU-13

> **WHEREAS,** the Members of the Authority have reviewed the memorandum dated September 16, 2020 regarding the contract for document imaging services;
>
> **NOW, THEREFORE, BE IT RESOLVED,** that the Members of the Authority hereby approve the contract with Alternative Micrographics, Inc. for the Authority's document imaging for a period of three (3) years with the option for two (2) one-year extensions.

6. AUTHORITY EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Ms. Ford made the motion to approve the expenses. Mr. Paulino seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. 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. UU-14

> ***WHEREAS,*** the Members of the Authority have reviewed the memoranda dated September 16, 2020 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $17,250.00 and $108,419.94 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.

7. 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.

Mr. Hopkins reported the following:

1. As discussed at the last meeting, the COVID-19 Emergency Loan committee, Mr. Hopkins, Robin Ford and Frank Troy, agreed to extend the repayment of the sole COVID-19 Emergency Loan issued by the Authority to Salem Medical Center in the amount of $1,420,789 from August 17 for an additional month because Salem Medical Center had not yet received approximately $9 million in funding from FEMA for expanding bed capacity to treat COVID-19 patients. Salem has still not received the FEMA funding. Mr. Hopkins consulted the members of the loan committee and we agreed it would be beneficial to provide Salem with yet another month to pay back the loan, in hopes that the FEMA COVID-19 will be forthcoming shortly.

2. A Finance Committee meeting is planned for Tuesday, October 6, 2020 at 10:00 a.m. to consider the proposed 2021 Authority budget. Finance Committee Members include Suzette Rodriguez and Dr. Kazmir. The meeting will be held telephonically. Members should let Mr. Hopkins or Controller Alpa Patel know if you expect to have any difficulty attending the meeting.

3. Authority Members should be aware that the Village Drive Healthcare Urban Renewal, LLC, a low-income assisted living facility located in Millville that was financed by the Authority was originally slated to open October of 2019 but construction delays caused them to revise the construction completion date

to July 1, 2020. Subsequently, further construction delays and COVID-19 caused them to revise the anticipated construction completion date to October 1, 2020. Each time there was a delay, Village Drive received forbearance from the bondholders. It now appears that construction will not be completed until much later. The management at Village Drive is communicating with the bondholders seeking another period of forbearance. In the meantime, there will be a commissioning event of the facility on September 30, 2020.

4. Coronavirus News

    a. On August 27, Governor Murphy signed an Executive Order extending the COVID-19 public health emergency through September.

    b. Last week, Commissioner Persichilli noted that 33% of recent cases of COVID-19 were people in the 18 to 29-year-old age group, with many coming from gatherings.

    c. Four statutes enacting reforms for long-term care facilities, as a result of weaknesses observed during the COVID-19 pandemic, were signed into law by Governor Murphy on September 16. The laws provide additional funding to long-term care facilities to offset the additional expenses incurred as a result of COVID-19, require increased pay for long-term care facility workers, require facilities to provide hazard pay in a pandemic and require 90% of the long-term care facility revenues go to direct care, not administrative costs or profits. There was also a task force created to oversee the long-term care industry and an emergency operation center dedicated to long-term care facilities. About half of the State's deaths from COVID-19 are associated with long-term care facilities. The laws will take effect next July.

    d. On the treatment and prevention front: (i) results of six new studies indicates several already available and inexpensive steroids are effective in improving the survival of severely ill COVID-19 patients by approximately one-third in the first month; (ii) an Iceland study indicates patients may have antibodies in their systems for four months after contracting COVID-19; (iii) the Oxford/AstraZeneca vaccine in development entered its phase 3 trial with 30,000 volunteers but was briefly halted when a participant was diagnosed with a serious condition, when the condition was determined not to be related to the vaccine the trial resumed; and (iv) the chief scientific advisor to the United States' "Operation Warp Speed" to develop a vaccine indicated that there was a very, very low chance a vaccine will be ready by the end of October.

e. The Centers for Medicare & Medicaid Services ("CMS") will be requiring hospitals to submit daily critical information on COVID-19, including number of COVID-19 patients, bed capacity and availability of personal protective equipment and other essential supplies.

f. Hospitals have been providing more virtual care due to the COVID-19 pandemic, accelerating the plans many hospitals had to move to telehealth. Some hospitals are expecting to move to roughly half of their visits being telehealth and half in-person.

5. New Jersey Hospital and Health Care News

a. RWJBarnabas Health and Saint Peter's Healthcare System have signed a definitive agreement to integrate. The agreement is a result of a year of due diligence and negotiation after the parties entered into a letter of intent. Saint Peter's will continue to operate its 478-bed acute care teaching hospital and its Children's Hospital at Saint Peter's, both in New Brunswick, and will continue to adhere to their Catholic healthcare mission. RWJBarnabas has agreed to invest substantial capital investments in Saint Peter's facilities, technology and innovation. The integration is subject to federal and State regulatory review before it can be finalized.

b. Atlantic Health System and CentraState Healthcare System have entered into a letter of intent to partner by having Atlantic Health System become the majority corporate member of CentraState, with both systems having representation on the CentraState board. If the two systems are able to reach a final definitive agreement and the partnership is approved by federal and State regulators, CentraState will be the eighth hospital in the Atlantic Health System.

c. The proposed merger of Einstein Healthcare Network and Jefferson Health is being opposed by the Federal Trade Commission, which argued the combination would reduce competition in Philadelphia and Montgomery County, Pennsylvania. Jefferson is the parent of the three hospitals which comprised the former Kennedy Health System in southern New Jersey.

d. Dennis Roemer, Senior Vice President and CFO of St. Joseph's Health, has announced he will retire in December after four years at St. Joseph's and over 42 year in health care financial management and accounting. A search is on for his successor.

e. The Paterson Planning Board approved construction of a 56-unit apartment building near St. Joseph's University Medical Center as part of the State's Hospital Housing Partnership Program financed in part by the New Jersey Housing and Mortgage Finance Agency. St. Joseph's provided the land and is working with the New Jersey Community Development Corporation and the Community Asset Preservation Corporation to develop the project, which will have at least ten apartments for special needs tenants, such as those with mental or behavioral health problems, domestic violence victims and other vulnerable populations that are frequent users of hospital services. Social services will be available on site at the apartment complex.

f. Atlantic Health System and Horizon Blue Cross Blue Shield of New Jersey said their shared accountability program lowered costs by 5% in its first year. It also reduced hospitalizations by 9%. Under the program, reimbursement from Horizon to AHS for an identified population of patients is tied directly to clinical outcomes and cost goals rather than patient volumes. The goal is to improve the quality and affordability by providing proactive and preventative care.

g. Inspira Health has opened retail pharmacies at its Mullica Hill and Vineland Medical Centers. The pharmacies are to ensure patients get medications they need so they are not readmitted to the hospital and provides extra convenience to both patients and staff. Medications are delivered directly to the patient's bedside before they are discharged and pharmacy staff trains the patient on the proper use of the medication.

h. The battle for control of the operations of Bayonne Medical Center continues. An affiliate of Hudson Regional Hospital, acquired the land and building last month and Hudson Regional would like to operate the medical center. However, the current operator, IJKG Opco (part of a system known as CarePoint) has been negotiating to sell the operations to BMC Hospital, LLC, which is made up of several owners of a string of surgery centers. A court declined BMC Hospital's request to halt the sale of Bayonne Medical Center to the affiliate of Hudson Regional but allowed further proceedings on BMC Hospital's claims that Hudson Regional interfered with the deal between BMC Hospital and IJKG Opco.

6. Rating Agency Actions and Sector Comments

    a. Fitch Ratings affirmed University Hospital's underlying rating, or "Issuer Default Rating," of "BB-" on $254,975,000 of bonds issued by the Authority on behalf of University Hospital in 2015. The rating outlook is "Stable."

    b. Fitch Ratings released 2020 Median Ratios for Not-for-Profit Hospitals and Health Systems largely showing improvement before COVID-19 hit.

    c. Moody's Investors Service issued a Sector Profile on Not-for-profit and public healthcare medians which indicated stability before the pandemic hit.

    d. Fitch also released a Fitch Wire noting that liquidity at not-for-profit hospitals supports their ability to repay CARES Act loans.

    e. Moody's also issued a Sector In-Depth on Public Finance entitled "Coronavirus crisis to spur changes in workplace and consumer behavior."

7. In National Health Care News:

    a. The Centers for Medicare and Medicaid Services ("CMS") announced that hospitals will receive a 2.7% increase in reimbursement for Medicare services in the federal fiscal year 2021 under the inpatient prospective payment system. This amount will be a total increase of $3.5 billion across the 3,200 qualifying hospitals and 360 qualifying long-term care facilities.

    b. Healthcare Dive looked at nine of the largest nonprofit health care systems and reports that many hospitals experienced a drop in revenue and an increase in expenses in the first half of 2020 as a result of the pandemic. The infusion of cash from the federal government through the CARES Act was vital to hospitals.

    c. Definitive Healthcare's 2020 Healthcare Trends Survey showed a significant concern about the trend of loss in health care revenue going forward as a result of COVID-19. Other concerns included the impact of delayed preventative and critical care resulting in serious health implications leading to pent up demand for surgeries. Telehealth was also cited as one of the most important drivers of change over the next year, with adoption of telehealth increasing 4,545% in the last year.

d. Analysis from the consulting firm Kaufman Hall and the law firm Waller indicates an increased number of independent hospitals and smaller systems partnering due to the massive financial damage caused by COVID-19. Larger systems were better able to handle the disruption.

e. The Healthcare Financial Management Association reported on the Aon benefits survey, noting that COVID-19 shifted hospitals' labor-benefits focus to cost control as opposed to attracting and retaining talent. Health systems have been looking to save by steering employees to care from system providers, using group purchasing for pharmaceuticals, using in-house pharmacies and improving employee health outcomes.

f. A study published in JAMA Internal Medicine indicates that after hospitals were acquired by private equity firms, they charged on average over 34% higher rates and saw a stark increase in profitability.

g. RAND performed a study that showed private health plans pay 247% more than Medicare.

h. Health care consolidation continues in the Chicago area with Northwestern Memorial HealthCare, a ten-hospital system, exploring a merger with Palos Health, which operates two hospitals in the Chicago suburbs.

i. Despite the impact of COVID-19 on hospitals, CMS is pushing ahead with its requirement that hospitals start providing each hospital's prices for 300 "shoppable" services charged to each insurer. The rule is scheduled to take effect January 1, 2021, unless hospital industry appeals are successful. RevCycle Intelligence has an article on how to prepare to meet the price transparency reporting requirement. Blomberg Law reports that the possible loss of Medicare payments is a poison pill added in subsequent regulations that will make hospitals more likely to comply.

8. In Bond and Tax Legislation and Regulatory News

a. On September 16, the Federal Open Market Committee kept the target for the federal interest rate at between zero and 0.25%. It is expected to remain there for three years. According to the FOMC's statement, it plans to "'maintain an accommodative stance of monetary policy until' it hits its goal of maximum employment and 2% inflation over the long term." Fed Chair Powell noted inflation is predicted to increase to 1.2% this year, 1.7% next year and 2.0% in 2023.

b. According to Moody's Investors Service, defaults and bankruptcies in municipal bonds remains very rare with the five-year all-rated cumulative default rate ("CDR") of municipal bonds from 1970 to 2019 decreasing to 0.08% (from 1970 to 2018 it was 0.10%). For comparison purposes, the five-year CDR for corporate bonds is 6.7% from 1970 to 2019.

c. Fitch reports on Fitch Wire that the U.S. leveraged loan market preparation for the end of use of the London Inter-Bank Offering Rate as a reference index has been very slow.

9. Authority News

a. Mr. Hopkins announced that Bernie Miller, the Authority's Construction Compliance Officer, is retiring on October 1 after more than 15 years of service to the Authority. A potential successor has been identified and pending approval will be announced at the next meeting.

b. President Trump has appointed Dr. Kazmir to the Presidential Advisory Council on Combatting Antibiotic-Resistant Bacteria which provides advice, information and recommendations to Secretary of Health and Human Services Azar. Mr. Hopkins offered his congratulations to Dr. Kazmir.

As there was no further business, Dr. Kazmir asked for a motion to adjourn. After a motion by Mr. Lovell and a second by Ms. Ford the Members voted unanimously to adjourn the meeting at 10:40 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 24, 2020.

____

Cindy Kline, Assistant Secretary