NJHCFFA
NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

AUTHORITY NOTE$

2016 Series B SUMMER

MESSAGE FROM THE EXECUTIVE DIRECTOR

It looks like 2016 will be a big year for the Authority. So far, we have had several large refunding transactions which have allowed us to exceed last year's financing total. In fact, if everything goes as projected, we are on pace to have one of the best years in the Authority's history.

Our success is a direct result of the current growth trend in the health care industry. The "mega" health systems, which arose from hospital mergers and acquisitions over the past few years, are now moving forward with their plans for expansion, innovation and modernization. As our hospitals and systems continue their efforts to meet the increased demands of the Affordable Care Act, I believe that in New Jersey, this growth trend will extend into the next decade.

The Authority, however, is about much more that large bond issues. We have the financing products available to address the many needs of our health care organizations, large or small. We pride ourselves on being able to respond to your specific needs. For example, we recently introduced a program that will ease the financial burden on health care facilities that need to comply with the new state emergency generator law, such as nursing homes and assisted living facilities.

The Authority is ready to help you achieve your goals and improve patient care. We are here to work and strategize with you. Challenge us to be innovative and creative.

- Mark E. Hopkins

Mergers & Acquisitions - Health Care's Going Big!

Is bigger really better? When it comes to health care, the answer is definitely maybe. New Jersey has been "ground zero" for hospital and health system mergers since 2010 and, recently, there have been some monster deals. The Barnabas Health and Robert Wood Johnson Health System merger included 11 hospitals. In addition, the Hackensack University Health Network merger with Meridian to be completed on July 1 also involves 11 hospitals. Plus, New Jersey has 8 more systems with at least 3 hospitals each. But, what has this "merger mania" mean to the hospitals and patients?

The Affordable Care Act (ACA) was the impetus for hospital mergers. Hospital CEOs anticipated future reductions in Medicare funding as well as lower reimbursement rates from insurance companies. They also recognized that there would be fewer in-patient visits, an increased emphasis on out-patient services and a new focus on home health care, preventive medicine and population health. As a result, many CEOs saw mergers and/or acquisitions as the path to survival.

Whether this trend has been successful depends upon what data you review. In 2012, the Robert Wood Johnson Foundation conducted a national study on hospital consolidation and determined that, in some areas of the country, patient costs increased, but also, that hospital competition improved medical quality. Similar results were revealed in a study by Leemore Dafny of the Kellogg School of Management at Northwestern, Kate Ho from Columbia and Robin Lee from Harvard. They researched 500 mergers between 2000 and 2012, and concentrated on hospitals in the same state, but different markets. They found that prices increased 6 to 10%.

Despite those findings, Kaufman, Hall & Associates found that the number of mergers and acquisitions in 2015 increased 18% over 2014 and 70% over 2010. In addition, an analysis by the Health Care Cost Institute recently reported that, when comparing the cost of common medical services and procedures, New Jersey's prices are lower than many other states.

Once again, New Jersey is leading the way in health initiatives and making the ACA work. By creating "mega" systems, hospitals now have access to more medical talent, better coordination of care, more specialists, increased research funding and more facilities across the spectrum of health care services. Being part of a large system also provides patients with many more options and a wider provider network. More importantly, the greater volume of patients gives hospitals more leverage when negotiating with insurance companies.

With the increase in the number of patients, the coordination of care, as well as the commonality of equipment and supply needs, the mega systems are better able to identify efficiencies and improve their buying power than as a single health care provider. They also increased their capacity to borrow for capital improvements. It also merits noting that acquisitions by out-of-state corporations, kept two (2) New Jersey hospitals from closing.

On the other side of the ledger, the larger systems can consolidate the debt of any or all of their facilities to reduce debt payments and free up funds.

So, is bigger better? It depends upon where you are, but in New Jersey, the answer so far, appears to be yes.

Are you ready for Hurricane Season?
We can help you acquire an Emergency Generator

“Super Storm Sandy” had a catastrophic effect on the delivery of health services throughout the State of New Jersey. In response, the NJ Legislature passed and the Governor signed the Emergency Generator bill into law. This law requires certain healthcare facilities to be equipped with a generator that can provide emergency power for up to forty-eight hours. Facilities that are required to comply with this law include: nursing homes, licensed assisted living facilities, comprehensive personal care homes, pediatric community transitional homes, federally qualified health centers, dialysis centers, hospice in-patient care and residential health care facilities connected to another licensed facility.

The New Jersey Health Care Facilities Financing Authority can provide lower cost, tax-exempt financing to meet the requirements of the Emergency Generator Law. Although primarily available for not-for-profit organizations, some financings structures may be available for the for-profit sector. Almost any financing product offered by the Authority can be used to finance the planning, acquisition and implementation of strategies to satisfy the requirements of the Emergency Generator Law. The Authority staff believes the following products are best suited for this program:

1. **EQUIPMENT REVENUE NOTE PROGRAM**
   Program designed to finance the acquisition of equipment.

Method of Financing:	Direct Placement
Interest Rate:	Tax-exempt fixed or variable rate
Term of Loan:	Negotiated with Note Purchaser
Security:	Lien on equipment
Authority Support:	Available (Approval Required)
Timing from Receipt of Application:	60 to 90 days

2. **CAPITAL ASSET PROGRAM**
   Program designed to provide pooled funding for equipment and renovation projects.

Method of Financing:	Loan under a revolving pooled loan program
Interest Rate:	Variable Rate (averaged 1.77% for 2015)
Term of Loan:	Maximum five (5) years
Security:	TBD, typically a lien on equipment
Authority Support:	Available (Approval Required)
Timing from Receipt of Application:	90 to 120 days

3. **MASTER LEASING PROGRAM**
   Program designed to finance the acquisition of equipment.

Method of Financing:	Master Lease with Sub-Lease(s)
Interest Rate:	Tax-exempt fixed
Term of Lease:	Negotiated with Note Purchaser
Security:	Lien on equipment
Authority Support:	Available (Approval Required)
Timing from Receipt of Application:	60 to 90 days

This Authority expects that each financing product will be comprehensive, eligible to include every aspect of a project including equipment, construction, soft-costs like engineering, as well as permits and intangibles.

To get started please contact Bill McLaughlin at (609) 789-5616.

Authority Members Update

Cathleen D. Bennett
was confirmed as the Commissioner of the Department of Health by the New Jersey Senate on May 26, 2016.

Richard J. Badolato
was confirmed as the Commissioner of the Department of Banking and Insurance by the New Jersey Senate on May 26, 2016.

Alison Gibson
Commissioner Cathleen D. Bennett named Alison Gibson as her Designee to the Authority on January 21, 2016.
Ms. Gibson is currently the Acting Deputy Commissioner of Health Systems.

Elisa A. Charters
resigned as a Public Member of the Authority on May 9, 2016. Ms. Charters had served on the Authority since June 28, 2012.

NJHCFFA Staff Notes

Retirements

Steve Fillebrown

Deputy Executive Director and Director of Research, Compliance & Project Management retired on April 1, 2016, after over 30 years with the Authority.

Michael Ittleson

Our Authority Controller retired on July 1, 2016, after over 29 years with the Authority.

Promotions

Frank Troy

On May 2, 2016, Frank Troy was promoted to the position of Director of the Division of Research, Investor Relations & Compliance.

Bill McLaughlin

On May 2, 2016, Bill McLaughlin was promoted to the position of Director of the Division of Project Management.

Promotions

Taryn Rommell

Taryn Rommell was promoted to the position of Assistant Director of Research, Investor Relations and Compliance on June 1, 2016.

Marji McAvoy

Marji McAvoy was promoted to the position of Controller on July 1, 2016.

Anniversary

Neetu “Nikki” Thukral

In July, Neetu “Nikki” Thukral will celebrate her 5-year anniversary with the Authority.

Congratulations

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Good Luck to All!

Princeton HealthCare System

On January 20, 2016, the Authority closed on $275,065,000 of bonds on behalf of Princeton HealthCare System. The bonds were issued in three series: $190,065,000 publicly issued tax-exempt series 2016A; $65,000,000 Series 2016B directly placed with Wells Fargo; and, $20 million Series 2016C directly placed with Bank of America.

The proceeds of the combined Series 2016A, Series 2016B and Series 2016C issuances were used to currently refund all or a portion of the Authority's Princeton Medical Center Series 2010B, 2010C and 2010D bonds; refinance all or a portion of a Bank of America loan; construct a surface parking lot on the hospital's campus; and pay the related costs of issuance.

The bonds were rated Baa2 by Moody's and BBB by Fitch.

The all-in TIC for the Series 2016A was 3.66%. The all-in TIC for both Series 2016B and Series 2016B was 1.87%.

Meridian Hospital Corporation

On March 16, 2016, the Authority closed on $131,500,000 of bonds for Meridian Hospital Corporation (Meridian). Meridian is comprised of Jersey Shore University Medical Center, Riverview Medical Center, Ocean Medical Center, Southern Ocean Medical Center, Bayshore Community Hospital, Raritan Bay Medical Center - Old Bridge, Raritan Bay Medical Center - Perth Amboy and K. Hovnanian Children's Hospital.

The proceeds of the bonds were used to: refund the Series 2012A bonds; refund the Series 2012B bonds; refund the Series 2012C bonds; fund a debt service reserve fund: and, pay the related costs of issuance.

The bonds were privately placed with Bank of America with an initial variable interest rate of 0.08%.

Inspira Health Network

On June 30, 2016, the Authority closed on $177,765,000 of bonds on behalf of Inspira Health Network. Inspira Health Network is a 501(c)(3) not-for-profit organization formed in 2012 by the merger of South Jersey Health System and Underwood Memorial Health System which includes Inspira Medical Center-Woodbury, Inspira Medical Center-Vineland and Inspira Medical Center-Elmer. The proceeds of the financing were used to: refund all of the NJHCFFA issued South Jersey Hospital Series 2006 bonds; refund all of the NJHCFFA issued Underwood Memorial Hospital Series 2008 bonds; refund the NJHCFFA issued Variable Rate Composite Program – South Jersey Hospital Inc. Project Series 2004 A-4; refinance the Capital Asset Program loan made to South Jersey Hospital in 2011; fund a debt service reserve fund; and, pay the related costs of issuance.

Yields on serial bonds ranged from 0.83% in 2017 to 3.35% in 2036. The yield on the 2041 term bond was 3.31% and the 2046 term bond is 3.00. The all-in TIC was 3.387%. The financing resulted in a NPV savings of $29,962,079 (14.31% of refunded par) and a cash flow savings of $62,568,594.

Take Your Child to Work Day

(From l-r) Akanksha Thukral, Neetu “Nikki” Thukral, Noah Lucas, Mackenzie Morton and Jessica Lucas

On April 28, Akanksha Thukral, daughter of Assistant Account Administrator Neetu “Nikki” Thukral and Account Administrator Jessica Lucas’ daughter, Mackenzie Morton and son, Noah Lucas got a first-hand look at the work performed at the Authority.

New Jersey Health Care Facilities Financing Authority

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