

AUTHORITY NOTES

2018 Series C

DECEMBER

From the Executive Director

As you know, the Leapfrog Group is a non-profit organization that performs an independent, grading system which assigns letter grades of A, B, C, D, and F to more than 2,600 general acute care hospitals across the U.S. The safety grades are focused on avoidable errors, accidents, injuries and infections.



The latest Leapfrog hospital safety ratings were a pleasant surprise for New Jersey's Hospitals. The study revealed that 38 of our 67 participating hospitals received an "A" for safety. Even more exciting is the fact that New Jersey led the nation with the highest percentage of "A" grades! The #1 ranking was a dramatic improvement over our 17th slot this past spring.

More than 56% of our hospitals aced the survey as opposed to only 38% in the previous evaluation. Overall, 24 hospitals improved their grades and four jumped two grades. Most importantly, University Hospital in Newark shed its F

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The Next Step in Population Health – *Takin' it to the Streets*

In 1976, *The Doobie Brothers* were unwittingly prophetic about New Jersey's most recent efforts toward achieving population health.

Over the past decade, New Jersey has been focused on the concept of population health. The idea of promoting and supporting healthier lifestyles for our residents will ultimately lower health care costs, lower health-related expenses and free up medical resources.

To this end, New Jersey's hospitals have taken a leading role in achieving population health. Many of our hospitals are in the process of upgrading their information technology systems to implement electronic health records that will enable the sharing of patient health data. This will improve health care by allowing for faster, more efficient diagnoses and more focused treatments.

Earlier this decade, there was a national push to increase access to health care. Under the Affordable Care Act, additional funds were made available to establish more community-based health centers so that residents would have local access to basic health care. As the new Federally Qualified Health Centers began to open throughout New Jersey, many hospitals also opened outpatient facilities and ambulatory care centers.

Data sharing and access to services, however, do not address all of the obstacles to population health. New Jersey is also working to address nutritional issues through school meal programs, the Supplemental Nutrition Assistance Program (SNAP) as well as a number of food and nutrition programs through the Department of Agriculture. Several of our hospitals have cooperative programs with these entities to do more than simply provide healthy food to residents. Several hospitals have launched pilot programs to educate their community about how to select healthy food products and properly prepare them. New Jersey also has hospitals hosting farmer's markets and growing their own vegetables.

According to the NJ Coalition to End Homelessness, New Jersey has over 9,300 individuals, basically 1% of the state population, with no home or shelter on any given day. Their statistics also claim that over 1,200 New Jersey households are chronically homeless. The Good Will Rescue Mission's data base indicates that over the course of a year, New Jersey has over 24,500 individuals who are homeless at some point in time. In addition, the Rutgers Center for State Health Policy recently presented data that showed over 64,000 individuals living in some form of temporary or transitional housing.

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rating by moving up to a D. New Jersey's hospitals are definitely moving in the right direction!

We are fortunate in New Jersey because our leaders in the health care industry have always been at the forefront of innovation and creativity. From our elected officials and their appointees to our hospital and trade association CEOs, New Jersey always seems to be on the cutting edge of health advancements. To that end, I am pleased that the Authority has been a continual source of resources necessary to achieve the goals that have been established by our government or envisioned by our health care executives.

I encourage all of our health care facilities revisit our website to explore our various financing programs. We want to assist you in maintaining your "A" rating or help you earn your "A."

The Authority is also planning to review the Authority's policies. We want to be responsive to your needs as well as the market conditions and trends.

Hospital CEOs and CFOs should expect to receive more information from the Authority in the next two months. Please feel free to contact me if you have any specific topics you want to make sure we discuss.

- Mark E. Hopkins

Welcome!



Cindy Kline was recently hired as the Administrative Assistant for the Division of Operations, Finance and Special Projects.

Happy Anniversary!



Edwin Fuentes, our Project Manager and Asst. Information Technology Specialist celebrated 10 years at the Authority on September 2, 2018.

New Policy for Non-Hospital Startups/Single Purpose Entities

Examination of Borrower's Financial Forecast

Prior to June 28, 2007, the New Jersey Health Care Facilities Financing Authority ("the Authority") had a policy of requiring an independently prepared financial feasibility study for projects involving non-investment grade borrowers. Since that time, financial projections prepared by the borrower's management or consultant were reviewed by Authority staff, which has decades of experience in monitoring hospital finances. As virtually all transactions since the policy change involved acute care hospitals and straight-forward structures, staff felt very comfortable assessing the reasonableness of the underlying assumptions and the related pro forma financial statements.

With its broader mission, the Authority has the opportunity to provide financing for projects other than acute care hospitals with complex ownership and capital structures. Many of these may be start-ups undertaken as single-purpose or special purpose entities (SPE). Due to these factors, staff is recommending the adoption of a policy requiring an examination of a borrower's management financial forecast by an independent certified public accountant for all projects involving a non-hospital start-up single purpose entity. The accountant would be hired by the borrower to perform the examination which would be included in any offering document along with the accountant's opinion. The requirement would be for both public offerings and for private placements, even when the borrower has obtained a commitment from an investor indicating its willingness to purchase the bonds without such an examination and that investor is also willing to sign an approved investor letter.

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Recent studies indicate that homelessness is a critical cause of increased emergency room visits, chronic health problems and behavioral health issues. Additionally, hospitals are usually the “anchor” businesses in areas where homelessness is prevalent. To that end, New Jersey has taken a major step toward addressing this societal issue that greatly affects population health.

In September, the New Jersey Department of Community Affairs announced the **Housing First** pilot program in Hudson County. Under this program, the state and county formed a partnership with Jersey City Medical Center and Hoboken University Medical Center to address two major social determinants of population health – homelessness and access to quality medical care. The program will enable these hospitals to expand their existing homeless outreach initiatives to provide permanent support housing for individuals in need.

Likewise, on November 7, the New Jersey Housing Mortgage Finance Agency (NJHMFA) and the New Jersey Hospital Association announced the **Hospital Partnership Subsidy Pilot Program**, a \$12 million program to encourage investments in affordable and supportive housing. In this initiative, the NJHMFA will match contributions made by hospitals who have partnered with a developer to construct permanent low and moderate income housing in their communities. The NJHMFA will award up to \$4 million per proposal.

The objective is to create a mixed-use development near a hospital that includes commercial space and medical offices in addition to housing for their most vulnerable

populations. The Authority whole-heartedly supports the program and encourages hospitals to contact the NJHMFA. The Authority is also researching ways to expand the program and provide further financial support.

Finally, Health and Human Services Secretary Alex Azar recently announced that the Centers for Medicare & Medicaid Services (CMS) may soon permit housing costs to be paid through Medicaid. He is encouraging CMS officials to look beyond their current partners and programs to address social determinants in health care such as housing and nutrition. He hopes to expand the scope of CMS and begin treating the “whole person.”

As *The Doobies* sang in their third verse: **“Take this message to my brother. You will find him everywhere. Wherever people live together. Tied in poverty's despair.”** New Jersey recognizes the detrimental effects poverty and homelessness have on a person's health as well as the cumulative effect it has on its health care system. In this latest effort, the state is truly concentrating on the individual's condition, their environment and offering a potential solution.

Population health is becoming a reality in New Jersey and our hospitals and other health care organizations are leading the way. Their identification of social and environmental effects on population health as well as their investments in solutions continues to be a model for other states. Maybe it's time to take our model “*on the road*” as well as the streets!

Village Drive Healthcare Urban Renewal LLC.

On September 14, 2018, the Authority closed on \$23,000,000 of bonds on behalf of Village Drive Healthcare Urban Renewal LLC. The proceeds of the sale will be used to: acquire the property in Millville NJ; renovate, construct, and equip an assisted living residence for low income seniors on the aforementioned property, consisting of, among other things, the renovation of an existing private room hotel, the new construction of additional units and kitchen, dining, administrative and resident activity areas, including an adult day care facility; reimbursement to Village Drive for certain prior expenses; pay capitalized interest on the Bonds; fund a debt service reserve fund; and pay certain costs incidental to the issuance and sale of the bonds

The bonds were privately placed with Nuveen and Oppenheimer. The All-in TIC was 6.026878%. The Present value savings over taxable bonds was \$2,714,000.

Authority Institutes New Policy for Issuing Bonds

Only Two Meetings for Bond Approval

The New Jersey Health Care Facilities Financing Authority (the “Authority”) has had a practice of requiring a three (3) meeting process for issuing new money bonds by a negotiated sale: one initial meeting for considering the negotiated sale request; a second meeting to receive an informational presentation about the project and financial projections; and a third meeting to consider a contingent bond sale. At the request of borrowers, the Authority reviewed the implications of reducing the three (3) meeting process down to two (2) meetings: one for a negotiated sale request and the second for considering the contingent bond sale.

The Authority believes reducing the process to two (2) meetings will not in any significant way reduce the opportunity for staff and Authority Members to vet the project and the financing. It will also provide an additional benefit to the Authority’s borrowers by shortening their time to market, thereby reducing the chance of significant market fluctuations. In order to ensure ample opportunity to vet the project and the financing, the Authority will expect the borrower to make its informational presentation, including the project description and financial projections, at the first meeting, when a negotiated sale presentation, if requested, takes place. However, because circumstances for financings vary, if the informational presentation cannot be made at the meeting with the negotiated sale request, the Authority, may allow the informational presentation to be made at the meeting when the contingent bond sale is considered.

The Authority is also reviewing other policies, including covenants and ratios, in an effort to make it easier and more cost effective for our borrowers to issue money saving tax-exempt bonds.



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Commissioner of Health

Carole Johnson
Commissioner of Human Services

Marlene Caride, Esq.
Commissioner of Banking & Insurance

Public Members

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Munr Kazmir, M.D.

*The Authority currently has two
Public Member vacancies.*

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