

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on May 22, 2014 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

Elisa Charters, Public Member (Chairing); Brian O'Neill, Designee of the Commissioner of Health; Mary Ann Kralik, Designee of the Commissioner of Banking & Insurance; Greg Lovell, Designee of the Commissioner of Human Services; and via telephone: Dr. Munr Kazmir, Public Member; and Suzette Rodriguez, Public Member.

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

Mark Hopkins, Steve Fillebrown, Ron Marmelstein, Suzanne Walton, Michael Ittleson, Carole Conover, Linda Hughes, Carl MacDonald, Bill McLaughlin, Ellen Lieber, Debra Coons, Paige Piotrowski, Taryn Jauss, Bernie Miller, Diane Johnson, Edwin Fuentes and Marji McAvoy.

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

Cliff Rones, Attorney General's Office; John Dellocono of CentraState Medical Center; Geri Ann Swenarton of RWJUH; Dorit Kressel of Wolff & Samson; Kay Fern of Evergreen Financial; and Dr. James T. Kostinas of David Kostinas & Associates.

## **CALL TO ORDER**

Vice Chair Elisa Charters called the meeting to order at 10:02 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 23, 2013 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

### **1. APPROVAL OF MINUTES**

#### **April 24, 2014 Authority Meeting**

Minutes from the Authority's April 24, 2014 meeting were presented for approval. Mr. Lovell offered a motion to approve the minutes; Dr. Kazmir seconded. Ms. Charters, Mr. O'Neill, Ms. Kralik, Mr. Lovell, and Dr. Kazmir voted yes; Ms. Rodriguez abstained; and the motion carried.

### **2. INFORMATIONAL PRESENTATIONS**

#### **a. CentraState Medical Center**

Mr. Carl MacDonald introduced John Dellocono, Senior Vice President and Chief Financial Officer.

He informed Members that the CentraState Medical Center, a wholly-owned subsidiary of the CentraState Healthcare System, is a 276-bed, general acute care, community hospital located in Freehold, NJ. The medical center provides a broad range of adult, pediatric and newborn acute care services as well as numerous outpatient, ambulatory and emergency care services and enjoys a leading market position in an affluent and high-growth service area with an absence of

any significant nearby inpatient competition. It has a history of strong admissions and favorable financial performance and represents approximately 86% of the system's total revenue.

Authority Staff is in the process of structuring a \$49 million financing on behalf of the medical center to provide funds to: construct a new women's center and data center on the medical center campus, as well as the purchase of equipment; currently refund all or a portion of the CentraState Medical Center Series 1998 Bonds; and pay the related costs of issuance.

The transaction will be structured as a private placement and will be purchased by TD Bank and Siemens. The medical center is currently rated Baa1 by Moody's. It is not expected that this rating will change as a result of this issuance.

The annual financial information for the medical center, presented in the mailed materials, indicates that days cash on hand has remained strong at 194.12 days for 2012 to 196.26 days for 2011. Although this represents a slight decrease, the days cash on hand position remains well above the 2012 Statewide Median of 80.45 days. The medical center's operating margin for 2012 was at 1.98%, above the 2012 Statewide Median of 1.87%. Debt service coverage is consistent with the statewide median at 3.31 times as was the cushion ratio at 14.66 times for 2012. Days in accounts receivable were 36.99 days versus the statewide median of 42.13 days and FTE's per adjusted occupied bed were 5.95 FTE's versus a statewide median of 5.40. A review of 2013 audited financials indicate performance was consistent with previous years.

The medical center's annual inpatient utilization trends for the period 2010 to 2012 are stable, showing no material deviation in admissions and inpatient days. Length of stay has remained relatively constant as has the occupancy rate on licensed beds. Utilization statistics derived from interim financials indicating 2013 performance are consistent with year-end 2012 results.

In accordance with Authority policy, management was required to submit financial projections. The projections for 2014 through 2017 were provided in the Members' meeting materials and Staff reviewed those projections subsequent to the mailing of meeting materials.

Ms. Charters reminded the Members that the presentation was for informational purposes only and no action needed to be taken.

**b. Robert Wood Johnson University Hospital**

Mr. Carl MacDonald introduced Geri Ann Swenarton, VP of Finance.

He informed Members that RWJUH is a private, nonprofit, acute care hospital located in New Brunswick, New Jersey, serving the central New Jersey market with a wide range of inpatient and outpatient clinical services as well as specialty services in cardiac care, cancer care, emergency medicine, pediatrics and maternal-fetal medicine. Currently, the hospital has 573 licensed beds and is the hub of a clinically-integrated medical campus that includes the Cancer Institute of New Jersey, the Child Health Institute of New Jersey and the Bristol-Myers Squibb Children's Hospital. The parent organization of the hospital, Robert Wood Johnson HealthCare

Corporation, also includes RWJ University Hospital Hamilton, RWJ University Hospital Rahway, the Children's Hospital and Children's Specialized Hospital.

In June of 2013, RWJUH and Somerset Medical Center, a 355-bed acute care hospital in Somerville, New Jersey, signed an Agreement and Plan of Merger. The proposed merger received the required state and federal regulatory approvals as of 9:30 that morning, and it is anticipated that the merger will be finalized in June. Proceeds of the proposed bond issue will be used to: currently refund a bridge loan that will be used to retire Somerset Medical Center's Series 2003 and Series 2008 Bonds, as well as the Series 2009 Equipment Revenue Note; and pay the related costs of issuance.

From a financial perspective, the hospital has maintained strong financial metrics and currently maintains credit ratings of A2/A- from Moody's and S&P. The hospital has consistently reported positive results from operations and bottom line. According to the audited financial statements and the Authority's Apollo Report, RWJ generated an excess of revenues over expenses of \$49.19 million and \$42.06 million for the years ending 2012 and 2011. Unaudited numbers for the 12 months of 2013 reflect an excess of revenues over expenses of approximately \$60 million.

The hospital is also well utilized. Since FY2009, inpatient admissions have remained constant at approximately 37,000, as have occupancy rates at approximately 85%. Utilization statistics are projected to remain constant for the foreseeable future.

Financial ratios designed to measure the hospital's liquidity, operating performance and capital structure have consistently outperformed statewide medians. Based on unaudited numbers as of December 31, 2013, RWJUH has 281 days cash on hand, an operating margin of 2.48% and debt service coverage ratio of 5.74 times.

RWJUH has indicated that it has performed a competitive process to name an underwriter and wishes to utilize the services of J.P. Morgan as the senior managing underwriter for this issue. RWJUH is in the process of conducting an RFP process with respect to recommending a bond counsel assignment.

RWJ has issued debt through this Authority in 1991, 1992, 1996, 2000, 2003, 2010 and 2013 totaling approximately \$570 million, of which approximately \$345 million remains outstanding. The most recent issuance by the Authority on behalf of RWJ occurred in 2013, when the Authority issued revenue bonds in the amount of \$181,175,000.

Ms. Charters reminded the Members that the presentation was for informational purposes only and no action needed to be taken.

### **3. NEGOTIATED SALE REQUEST** **Equipment Revenue Note Program**

Ms. Charters informed Members that the Authority's Equipment Revenue Note Program offers borrowers a quick turnaround for financings no greater than \$15 million, in which the proceeds will only be used to acquire equipment or retrofit a facility for equipment. One of the factors

contributing to the quick turnaround is that the Authority annually approves the private placement method of sale for all projects fitting the program's specific criteria.

Ms. Charters asked for a motion to ratify this annual resolution to approve the pursuit of a negotiated sale private placement for transactions issued through the Authority's Equipment Revenue Note Program through May 31, 2015. Dr. Kazmir offered a motion to adopt the resolution; Mr. O'Neill seconded. The vote was unanimous and the motion carried.

#### **AB RESOLUTION NO. NN-69**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts the resolution entitled "RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26."

*(attached)*

#### **4. AMENDMENT TO LOAN AGREEMENTS**

##### **Virtua Health**

Mr. Bill McLaughlin informed the Members that Staff was requesting that the Members approve a resolution authorizing amendments to the loan agreements relating to Virtua Health's Series 2009A Fixed Rate Revenue Bonds, the Series 2009B thru E Variable Rate Revenue Bonds, and the Series 2011 Revenue and Refunding Bonds that have been prepared by bond counsel, represented at the meeting by Ms. Dorit Kressel of Wolff & Samson.

Virtua is seeking a modification to its quarterly reporting requirements outlined in loan agreements related to the previously mentioned financings. Specifically, Virtua has requested that it no longer be required to provide a cashflow statement as part of its quarterly unaudited financial reporting requirements for the aforementioned transactions. In support of this request, Virtua has received approval for this action from all parties granted consent rights under the financing documents.

Under the terms of the Loan Agreement for its most recent Series 2013 financing, Virtua does not have to provide the cashflow statement with the submission of its unaudited quarterly financial reports. Given the level of specificity contained in Virtua's quarterly financial reports, Staff is comfortable in its ability to derive any necessary information regarding Virtua's liquidity. The proposed change would result in a uniform reporting package for Virtua.

The Attorney General's office has reviewed the resolution as well as the proposed amendments and has approved the forms of these documents for Members' consideration.

In response to a question from Mr. O'Neill, it was confirmed that this would be making the covenants the same for all Virtua bond issues.

Mr. Lovell asked if this was consistent for all bond issues. Ms. Suzanne Walton responded that it is not, however it is standard language used throughout the Virtua documents. This issue was raised in the 2013 issue. Given the complexity of getting the required reports together in a timely fashion, and given that the information that Virtua does provide gives Authority Staff all of the information needed to find what would be provided in a cash flow statement, Virtua made this request. Mr. Lovell noted that the documents Virtua currently provides offers substantial information and asked if the documents Virtua currently provides are extra documents that they can stop submitting, or if they were required. It was noted that the current documents submitted are required and the documents reflect what the market looks for in financial reporting. Ms. Kressel, bond counsel, clarified that the covenants have not changed, the only thing that has changed is one piece of the quarterly reporting.

In response to questioning from Ms. Charters regarding the financial institutions involved in the request, as she has a personal relationship with J.P. Morgan, it was clarified that Bank of New York Mellon is the trustee, and all parties granted consent rights have given approval of the change, including J.P. Morgan Chase. There was nothing being approved at the meeting in regard to J.P. Morgan, these are existing documents. J.P. Morgan Chase was only mentioned because it, as one of the parties granted consent rights, had given approval.

Ms. Charters asked the Members' pleasure with respect to the adoption of the resolution authorizing the amendments to the loan agreements in regards to Virtua Health. Mr. Lovell offered a motion to adopt the resolution; Dr. Kazmir seconded. The vote was unanimous and the motion carried.

#### **AB RESOLUTION NO. NN-70**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts the resolution entitled "A RESOLUTION AUTHORIZING AMENDMENTS TO THE LOAN AGREEMENTS RELATING TO THE REVENUE BONDS, VIRTUA HEALTH ISSUE, SERIES 2009A (FIXED RATE); REVENUE BONDS, VIRTUA HEALTH ISSUE, SERIES 2009B (VARIABLE RATE); REVENUE BONDS, VIRTUA HEALTH ISSUE, SERIES 2009C (VARIABLE RATE); REVENUE BONDS, VIRTUA HEALTH ISSUE, SERIES 2009D (VARIABLE RATE); REVENUE BONDS, VIRTUA HEALTH ISSUE, SERIES 2009E (VARIABLE RATE); AND REVENUE AND REFUNDING BONDS, VIRTUA HEALTH ISSUE, SERIES 2011."

*(attached)*

## **5. REQUEST FOR PROPOSAL FOR CONSULTANT TO REVIEW HEALTH CARE SERVICES IN THE NEWARK REGION**

Mr. Mark Hopkins informed the Members that the Authority and the Department of Health are concerned with the efficient and effective delivery of health care services in the Newark region. The Department of Health and the Department of Human Services provide a considerable amount of aid to health care providers in the Newark region. The Authority has a significant amount of bonds outstanding for Clara Maass Medical Center, East Orange General Hospital, Newark Beth Israel Medical Center and St. Michael's Medical Center as well as notes for University Hospital. For these reasons, the Authority and the Department of Health would like to engage a health care consulting firm to prepare a report on the health care resources in the Newark region.

The firm selected will be asked to evaluate the current inventory of health care services in the primary service areas of the hospitals in the Newark region. The purpose is to determine whether there is duplication of services and unused capacity or a lack or insufficiency of necessary services in these service areas and to propose recommendations for consolidation or regionalization of services if there is duplication or overcapacity and expansion of services if there is a lack of necessary services. The results of this report will be presented to the Commissioner of the Department of Health and the Executive Director of the Authority no later than November 15, 2014.

To complete the report as quickly as possible, the Authority has been asked to complete a Request for Proposal ("RFP") process for the selection of the consultant. The Authority will prepare and distribute the RFP as well as select the consultant for the engagement.

Members were provided with a substantially final form of the RFP as well as Standard Terms and Conditions that will apply to the engagement. Staff asked Members for approval to distribute the RFP to firms on the Authority's Hospital Workout List and to publish notice of the RFP on the Authority's website and the State of New Jersey Business Opportunities website.

Ms. Charters noted that as Newark has a huge minority demographic, and is a very diverse city, she hopes that there will be an opportunity for MWBE businesses to participate in the RFP process. Mr. Hopkins responded that he would look into that to see if there were specific MWBE publications or websites that could also run the RFP.

Dr. Kazmir moved to approve disseminating the proposed RFP for a consultant to review health care services in the Newark region, as recommended by staff. Mr. O'Neill seconded. The vote was unanimous and the motion carried.

### **AB RESOLUTION NO. NN-71**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves disseminating the proposed RFP for a Consultant to review health care services in the Newark region.

## **6. ADOPTION OF AUTHORITY'S EXPIRED PREVAILING WAGE REGULATIONS**

Mr. Hopkins informed the Members that on August 23, 2004, Public Law 2004, Chapter 127 was signed into law. The law provides that workers employed in construction projects receiving the assistance of several State and county governmental entities, including the New Jersey Health Care Facilities Financing Authority, shall be paid prevailing wage. The Authority's enabling legislation was amended by the law to add Sections 5.3, 5.4, 5.5 and 5.6 governing prevailing wage. Section 5.5 requires that "the Authority shall . . . adopt rules and regulations . . . requiring that not less than the prevailing wage be paid to workers employed in the construction or rehabilitation of facilities undertaken in connection with loans . . . or other financial assistance provided, authorized or administered by the authority."

The Authority's prevailing wage regulations originally went into effect on November 21, 2005. Under the administrative code, regulations automatically expire after five years unless they are readopted. The Authority readopted the prevailing wage regulations in October of 2010. However, comments were made to the renewed regulations resulting in a shorter renewal period. Thus, the Authority's prevailing wage regulations expired on May 20, 2013.

With the Authority Members' approval, notice of the proposal to adopt the expired Authority's prevailing wage regulations as new was published in the New Jersey Register on February 18, 2014 at 46 N.J.R. 327. Comments were due by April 19, 2014. No comments have been received. In addition to appearing in the New Jersey Register, the proposed regulations were posted on the Authority's website and provided to the State House press by February 18, 2014.

A copy of the notice of the proposal to adopt the expired Authority's prevailing wage regulations as new along with the expired regulations was provided in the Members' meeting packets. Mr. Hopkins requested that the Authority Members approve the prevailing wage regulations.

Ms. Charters noted that in the Legislative Advisory provided to Members, there was a bill introduced by Assemblyman O'Scanlon that would repeal all prevailing wage laws.

Dr. Kazmir made a motion to approve the adoption of the Authority's expired prevailing wage regulations as new regulations in accordance with the Administrative Procedure Act. Ms. Kralik seconded the motion. The vote was unanimous and the motion carried.

### **AB RESOLUTION NO. NN-72**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the adoption of the Authority's expired prevailing wage regulations as new regulations in accordance with the Administrative Procedure Act.

## **7. PROPOSED MEMORANDUM OF AGREEMENT TO PROVIDE FINANCIAL DATA SERVICES TO THE DEPARTMENT OF HUMAN SERVICES**

Mr. Fillebrown informed the Members that the Authority currently collects data on hospitals and Federally Qualified Health Centers (FQHCs) under contract with the Department of Health. The intent is to provide a clear picture of how those sectors are doing financially, and identify as quickly as possible facilities that might be facing financial difficulties. It is referred to as an early warning system.

The Authority has been asked by the Department of Human Services to develop a similar early warning system for long-term care facilities. Staff proposes using substantially the same form of a Memorandum of Agreement as the Authority has with the Department of Health. The agreement spells out the Authority's responsibilities, which include: identifying the financial elements to be collected; collecting and reviewing the data from the facilities on a quarterly basis; providing an updated database to DHS each quarter; creating standardized reports to analyze the data; and meeting with DHS staff to discuss and review information in the database. The Authority will receive \$7,400 per quarter for these services.

Mr. Fillebrown asked for Members' approval of the MOA in substantially final form with any changes the Office of the Attorney General may advise.

Ms. Charters asked if the purpose was to reduce the risk to the Authority. Mr. Fillebrown noted that would be part of it. In addition to that, it would help the Department of Human Services have a better idea of how the industry is doing.

Dr. Kazmir made a motion to approve the Memorandum of Agreement to provide financial data services to the Department of Human Services. Ms. Kralik seconded the motion. The vote was unanimous and the motion carried.

### **AB RESOLUTION NO. NN-73**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Memorandum of Agreement to provide financial data services to the Department of Human Services.

## **8. AUDIT COMMITTEE REPORT**

Mr. Brian O'Neill reported that on April 24, the Audit Committee met to discuss the auditing services contract the Authority has with Mercadien. The first contract extension expired with the completion of the December 31, 2013 audit. However, the contract allows for one additional one-year extension at the option of the Authority. The fee for the audit would remain the same as previous years, at \$25,000 for the audit of the Authority's financial statements and \$7,000 for the single audit which is required as a result of the HIE Grant.



Staff and the Audit Committee are very pleased with the services of Mercadien and the committee voted unanimously to recommend an extension of the contract. Therefore, on behalf of the Audit Committee, Mr. O’Neill moved that the Authority approve the second and final one-year extension allowed under the contract with Mercadien for the audit year ending December 31, 2014. Dr. Kazmir seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. NN-74**

**NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves the second and final one-year extension allowed under the contract with Mercadien for auditing services for the audit year ending December 31, 2014, as recommended by Audit Committee.

**9. OLD/NEW BUSINESS**  
**a. Election of Officers**

As the May meeting serves as the Authority’s Annual Meeting, Mr. O’Neill offered a motion to elect the following slate of Authority officers for the coming year.

**Officers of the Authority**

Vice Chair	Elisa Charters
Secretary	Suzette Rodriguez
Assistant Secretaries	Steve Fillebrown Carole Conover (vacant)
Treasurer	Dr. Munr Kazmir
Assistant Treasurer	(vacant)

**Authority Finance Committee**

Chairman	Dr. Munr Kazmir
Members	Dr. Munr Kazmir Elisa Charters Suzette Rodriguez
Alternate Member	(vacant)

**Authority Evaluation Committee**

Members	Dr. Munr Kazmir Elisa Charters Suzette Rodriguez
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Mr. O’Neill also nominated the ex-officio Members from the Department of Health and Department of Banking and Insurance – or their designees – and a representative from Treasury to serve on the Audit Committee.

According to the Authority's enabling legislation, Mary O'Dowd, as Commissioner of Health, will remain as Chair.

Mr. Lovell seconded the nominations. The vote was unanimous and the motion carried.

Ms. Charters noted that the term of the Authority's elected officers will begin immediately following the Governor's ten-day veto period, barring any veto notification from the Governor's Office.

#### **AB RESOLUTION NO. NN-75**

**WHEREAS**, with respect to the Authority's elected official positions, one of the three Assistant Secretary roles and the role of Assistant Treasurer will remain vacant and may be filled at a later date with the appointment of new Authority Members,

**NOW, THEREFORE, BE IT RESOLVED**, that the following individuals are hereby elected to serve in the official positions noted until May 28, 2015, or until the next election of officers:

Vice Chair – Elisa Charters  
Secretary – Suzette Rodriguez  
Assistant Secretaries – Steve Fillebrown and Carole Conover  
Treasurer – Dr. Munr Kazmir

**BE IT FURTHER RESOLVED**, that the Authority's Finance Committee will be chaired by Dr. Munr Kazmir, with Elisa Charters and Suzette Rodriguez serving as committee members.

**BE IT FURTHER RESOLVED**, that the Authority's Evaluation Committee will include Dr. Munr Kazmir, Elisa Charters and Suzette Rodriguez as committee members.

**BE IT FURTHER RESOLVED**, that the Authority's Audit Committee consist of the ex-officio Members from the Department of Health and Department of Banking and Insurance – or their designees – and a representative from Treasury.

#### **b. 2014/2015 Calendar**

Ms. Charters referenced a proposed list of dates on which to conduct meetings of the Authority and its Finance Committee for the coming year. Dr. Kazmir offered a motion to adopt the schedule; Ms. Rodriguez seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. NN-76**

**NOW THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts the following schedule of dates on which to conduct meetings of the Finance Committee and the Authority; and,

**BE IT FURTHER RESOLVED**, that, as provided by the provisions of the Open Public Meetings Act and the Authority's By-laws, the Assistant Secretary is authorized to provide notice of these meeting dates to the Authority's designated newspapers, to post notice in the Authority offices and on the Authority's website, and provide notice to the Secretary of State:

<b>FINANCE 10:00 a.m.</b>	<b>AUTHORITY* 10:00 a.m.</b>
<b>2014</b>	<b>2014</b>
Tuesday, June 10	Thursday, June 26
Tuesday, July 8	Thursday, July 24
Tuesday, August 12	Thursday, August 28
Tuesday, September 9	Thursday, September 18
Wednesday, October 8	Thursday, October 23
Wednesday, November 5	Thursday, November 20
Tuesday, December 2	Thursday, December 18
<b>2015</b>	<b>2015</b>
Tuesday, January 6	Thursday, January 22
Tuesday, February 10	Thursday, February 26
Tuesday, March 10	Thursday, March 26
Tuesday, April 7	Thursday, April 23
Tuesday, May 12	Thursday, May 28**

\*A Finance Committee meeting has also been scheduled immediately following every Authority meeting.

\*\*Annual Meeting

Ms. Charters noted for the record that, unless advertised to the contrary, all meetings are open to the public and shall be held in the Authority's office on the fourth floor of Building #4, Station Plaza, South Clinton Avenue, Trenton, New Jersey. She added that the Authority's staff will perform the required public announcement and notification of the meeting dates once the Governor's ten-day veto period has passed.

## **10. APPROVAL OF EXPENSES**

Ms. Charters referenced a summary of Authority expenses and invoices. Dr. Kazmir offered a motion to approve the bills and to authorize their payment; Mr. Lovell seconded. The vote was unanimous, and the motion carried.

### **AB RESOLUTION NO. NN-77**

**WHEREAS**, the members of the Authority have reviewed the memoranda dated May 14, 2014, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$17,000.00 and \$28,120.16 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.

## **11. STAFF REPORTS**

Ms. Charters thanked Staff for the Project Development Summary, Cash Flow Statement and Legislative Advisory reports.

Ms. Charters asked for clarification on some of the bills that had been introduced and included in the Legislative Advisory regarding Greystone Psychiatric Hospital and asked if it had any bearing on the actions that the Authority had taken regarding Greystone. She was specifically referring to A2150, introduced by Assemblyman Webber, and S1008, introduced by Senator Codey. Mr. Hopkins responded that much of the property where Greystone formerly stood has been transferred to Morris County, so perhaps the Assembly bill pertains to a piece of that land that will be transferred. He also noted that there have been a number of accounts in the news about groups pushing to preserve Greystone. The executive branch has decided to go in a different direction. Therefore, there may be individual legislators introducing bills in those regards; however, they may not be met with much success, and if they were to reach the governor, he suspects they would be vetoed.

Mr. Hopkins then presented his Executive Director's report, noting the following items to Members:

1. He thanked the Authority Members and Senior Staff for timely filing of their Financial Disclosure Statements with the State Ethics Commission by May 15, 2014.

2. NJ Hospital & Health Care Organization News

a. Hunterdon Medical Center is celebrating its 60<sup>th</sup> anniversary this year. Some of the recent milestones and future plans were outlined by CEO Robert Wise, who delivered the system's annual report last week.

b. The merger of Kimball Medical Center into Monmouth Medical Center, both part of Barnabas Health, was completed this month. Kimball will now be known as Monmouth Medical Center, Southern Campus.

c. The proposed sale of St. Mary's to Prime Healthcare Services is still awaiting final approval or denial of the Certificate of Need from the Commissioner of Health and the court hearing to determine if it meets the requirements of the Community Health Assets Protection Act ("CHAPA"). These are expected to be completed in the next two months.

d. The CN and CHAPA applications for the sale of St. Michael's Medical Center to Prime Healthcare Services have not yet been declared complete. Therefore those regulatory processes have not begun the regulatory timeline.

e. The process for considering Valley Hospital's expansion is winding down at the Ridgewood Planning Board. Public comment was heard at the Planning Board hearing Tuesday night, with some residents speaking in favor of the expansion, but most speaking against it. There will be another session of public comment at a June 2 meeting followed by a summation from attorneys from Valley and the group opposing the expansion on June 9. The Planning Board is expected to bring the issue to a vote on June 17. If the expansion plan is approved by the planning board, it still requires the approval of the Village Council.

f. The demolition of Marlboro Psychiatric Hospital, which has been closed since 1998, began earlier this month. The Authority financed the demolition on behalf of the Department of Human Services. Once the more than 100 former hospital buildings are demolished, over 400 acres will be used as open space and two group homes for persons with developmental disabilities will be constructed on the southwest portion of the site in Marlboro.

g. Paul Goldberg, CFO of Liberty Health System which operates Jersey City Medical Center, informed the Authority that he will be leaving Jersey City once the merger with Barnabas Health is complete.

h. Ken Bateman, CEO of Somerset Medical Center, also recently announced that he, along with several other senior staff members, will be leaving Somerset once the merger is complete with Robert Wood Johnson University Hospital.

i. Memorial Hospital of Salem County has announced that K. Ryan Jensen has been selected as its new CEO. Mr. Jensen has served in senior management positions at hospitals in California, Ohio, Texas and Washington, D.C. Memorial is owned by the for-profit hospital company Community Health Systems.

j. Gil Cottle has been named as the new CFO of RWJUH at Hamilton.

### 3. Health Care Reform

a. Atlantic Health System has announced it is forming an accountable care organization with insurer United Healthcare. AHS's subsidiary, Atlantic ACO, has already been working with Medicare on the ACO goals of providing care based on quality and value as opposed to volume and quantity of services. Atlantic ACO has 1700 physicians and 120,000 patients enrolled in the ACO.

b. Three articles were provided on ways New Jersey doctors and other health care providers are challenged by, and being given assistance in, utilizing electronic medical records, including the HIT grant the Authority has been administering on behalf of the State.

c. NJSpotlight reported on the State-Federal initiative to reward hospitals based on performance in improving outcomes or preventing specific illnesses under the Delivery System Reform Incentive Program or DSRIP. Brian O'Neill described the program in detail for the educational presentation at the March Authority meeting.

d. Over 25,000 New Jersey residents who tried to enroll in Medicaid through the Affordable Care Act's Medicaid expansion experienced a backlog. More than 140,000 people were successfully enrolled in Medicaid, however. The expansion in people covered is welcome but the backlog for some has been disheartening.

e. Partnership for Patients-New Jersey, funded by the Centers for Medicare and Medicaid Services and lead by the New Jersey Hospital Association has resulted in more than \$100 million in cost savings across the 63 participating New Jersey hospitals. It also avoided an estimated 9,200 adverse events, such as falls and hospital acquired infections. Hospital acquired conditions were reduced over 32% and readmissions within 30 days of a hospital stay were reduced 8.7%.

f. While 250,000 New Jersey adults enrolled in Medicaid since January, only 10,152 were not covered 100% by payments from the federal government under the Affordable Care Act. The Department of Human Services had budgeted for a significant increase in non-Medicaid expansion eligible patients who were expected to enroll as a result of the publicity surrounding Medicaid expansion, and thus require 50% payment from the State to match the 50% payment from the federal government. Medicaid enrollees newly eligible under Medicaid expansion are being 100% paid by the federal government for the first couple of years and 90% thereafter.

g. NJSpotlight ran an article on the expansion of the field of population health as a result of the Affordable Care Act's focus on prevention and the emergence of Medicaid Accountable Care Organizations.

h. Aetna, Humana and United Healthcare have partnered with the Health Care Cost Institute to develop a free online medical care shopping tool to research the price and quality of health care services, scheduled to launch in 2015.

4. Authority News

a. Miriam Bolger, the Authority's Health Information Technology Project and Grant Manager will be leaving the Authority May 30 to start a new position in information technology systems at Genesis HealthCare, a leading provider of long-term care and rehab services. Miriam started at the Authority in May of 2012 and has been overseeing the \$11.4 million Health Information Technology grant the Authority received from the federal government on behalf of the State.

*Dr. Kazmir briefly left the call and rejoined the meeting at the beginning of Executive Session.*

## 12. EXECUTIVE SESSION

At this point, Ms. Charters asked the Members to meet in Executive Session to discuss potential litigation and receive legal advice regarding Deborah Heart & Lung Center and Jersey Shore Medical Center. As permitted by the Open Public Meetings Act and the Authority's By-laws, Ms. Kralik moved to meet in Executive Session. Mr. O'Neill seconded. Ms. Charters, Mr. O'Neill, Ms. Kralik, Mr. Lovell and Ms. Rodriguez voted yes and the motion carried. Ms. Charters noted that the results of this discussion will be made public when the need for confidentiality no longer exists.

### AB RESOLUTION NO. NN-78

**NOW, THEREFORE, BE IT RESOLVED**, that, as permitted by the Open Public Meetings Act and the Authority's By-laws, the Authority meet in Executive Session to discuss potential litigation and receive legal advice regarding Deborah Heart & Lung Center and Jersey Shore Medical Center,

**BE IT FURTHER RESOLVED**, that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

Public session reconvened. No action was taken during Executive Session.

*Ms. Rodriguez left the meeting immediately following Executive Session.*

As there was no further business to be addressed, Dr. Kazmir made a motion to adjourn and Mr. Lovell seconded. Ms. Charters, Mr. O'Neill, Ms. Kralik, Mr. Lovell and Dr. Kazmir voted to adjourn the meeting at 10:55 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  
MAY 22, 2014.

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Carole A. Conover, Assistant Secretary