

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on September 24, 2015 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

Michael Conca, Designee of the Commissioner of Health (Chairing); Jessica Feehan, Designee of the Commissioner of Human Services; Maryann Kralik, Designee of the Department of Banking and Insurance; and, via telephone; Dr. Munr Kazmir, Public Member

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

Mark Hopkins, Steve Fillebrown, Carole Conover, Michael Ittleson, Carl MacDonald, Frank Troy, Taryn Rommell, Jessica Lucas, Ellen Lieber, Marji McAvoy, Nino McDonald, Edwin Fuentes and Chris Kniesler

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

Cliff Rones, Attorney General's Office; William Hanna, Department of Law and Public Safety; Bob Palermo, Vice President for Finance and Matthew Dean of Meridian Health System; Tom Daly, Chief Financial Officer University Hospital; John Kelly, Wilentz, Goldman & Spitzer, P.A.; Mary Finn, Vice President of Finance and Clinton Boyd, Controller of Samaritan Healthcare and Hospice; John Draikiwicz, Gibbons PC; Hak Kim, AtlantiCare; David Kostinas and Matthew Kostinas, David Kostinas and Associates; Katie Jennings, Politico; and, via telephone, Jerry Ostow, Bond Counsel

CALL TO ORDER

Executive Director Mark Hopkins 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 28, 2015 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.

Mr. Hopkins recommended that in the absence of the Chair and the Vice Chair, that a Chair pro tem should be named. Dr. Kazmir nominated Michael Conca to serve as Chair pro tem for the September 24, 2015 meeting and Ms. Kralik seconded. All Members voted in the affirmative and the motion carried.

1. APPROVAL OF MINUTES

A. August 27, 2015 Authority Meeting

Minutes for the Authority's August 27, 2015 Authority meeting were distributed for review and approval prior to the meeting. Mr. Conca asked for a motion to approve the minutes. Dr. Kazmir made the motion. Ms. Kralik seconded. The vote was unanimous and the minutes were approved.

2. TEFRA HEARING AND CONTINGENT BOND SALES

a. Meridian Health System

Mr. Conca announced that the following portion of the meeting was a public hearing in connection with the Meridian Health System and University Hospital transactions. Ms. Conca stated that this hearing was taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Mr. Conca called on Carl MacDonald to present the details of the Meridian Health System transaction to the Members.

Carl MacDonald introduced Robert Palermo, Vice President Finance for Meridian Health System

Mr. MacDonald informed the Members they were being asked to approve a contingent sale of bonds on behalf of the Meridian Health System Obligated Group. Proceeds of the proposed Series 2015A Bonds will be used to either fund or reimburse the cost of a series of construction projects at various campuses across Meridian's system.

According to Mr. MacDonald, approximately \$76.5 million of the funds will be used for reimbursing the Emergency Department expansion project at Ocean Medical Center; approximately \$7.1 million for the reimbursing the catheter lab expansion at Bayshore Community Hospital; approximately \$7.1 million for reimbursing the Cardiac/Neuro ICU project at Jersey Shore University Medical Center. Funds will also be used to: reimburse the Interventional Radiology Unit at Riverview Medical Center; reimburse the energy project at Riverview Medical Center; reimburse the Bayshore Community Hospital lobby renovation project; reimburse the parking lot project at Southern Ocean Medical Center; pay for \$31.4 million in various capital and equipment needs throughout the system; and, to pay the related cost of issuance on the transaction.

Mr. MacDonald stated that the Series 2015A bonds will be privately placed with TD Bank N.A. and will be structured as a fixed rate obligation. The interest rate for this transaction will be 2.50%. This rate was derived by calculating 69.75% of the TD Bank Closed Cost of Funds and adding 60 basis points.

Mr. MacDonald advised the Members that no disclosure document is being prepared in connection with this transaction and, as a result, TD Bank N.A. has agreed to provide the Authority with an executed Travelling Investment Letter on the date of Closing.

Mr. MacDonald stated that John Kelly of Wilentz, Goldman & Spitzer, P.A., the Bond Counsel would present the Bond Resolution pertaining to this transaction. He also told the Members that, following Mr. Kelly's presentation, he or Mr. Palermo would address any questions or concerns the Members may have.

BOND RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer, P.A., the Bond Counsel, stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2015A Bonds in an aggregate principal amount not in excess of \$130 million. The Bond Resolution provides that the Series 2015A Bonds shall have a final maturity date of no later than July 1, 2046. The Bond Resolution also provides that the Series 2015A Bonds shall bear interest at a true interest cost not to exceed 3.00% per annum. The Series 2015A Bonds will be subject to redemption prior to maturity as set forth therein, provided that the redemption price cannot be greater than 105%. The Series 2015A Bonds will be secured by payments made by Meridian Hospitals Corporation under the Loan Agreement with the Authority. The obligations of Meridian Hospitals Corporation under the Loan Agreement with the Authority will be evidenced and secured by a Note issued by the Meridian Obligated Group (the current Members of which are Meridian Hospitals Corporation and Meridian Nursing and Rehabilitation, Inc.) pursuant to the provisions of a Master Trust Indenture and by amounts on deposit in certain funds held by the Bond Trustee pursuant to the Trust Agreement. The Note to be issued pursuant to the Master Trust Agreement will be secured by a gross receipts pledge of the Meridian Obligated Group.

The Bond Resolution also approves the form of and authorizes the execution of a Direct Bond Purchase Agreement with TD Bank N.A., Inc. for the purchase of the Series 2015A Bonds. The Direct Bond Purchase Agreement must be executed prior to the 5:00 p.m. (local New Jersey prevailing time) on December 16, 2015. No disclosure document is being prepared in connection with the issuance of the Series 2015A Bonds and, as a result, the Bond Resolution also requires the purchaser of the Series 2015A Bonds to provide the Authority with a travelling investor letter on or prior to the date of Closing.

Additionally, the Bond Resolution approves the form of and authorizes the execution and delivery of (i) the Series 2015A Trust Agreement and (ii) the Loan Agreement. Further, the Bond Resolution appoints Bank of New York Mellon as Bond Trustee, Bond Registrar and Paying Agent for the Series 2015A Bonds. In addition, the Bond Resolution also authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Series 2015A Loan Agreement, Trust Agreement, the Direct Bond Purchase Agreement, and the issuance and sale of the Series 2015A Bonds.

Mr. Conca thanked Mr. MacDonald asked if there were any questions from the Authority Members or the public. There were no questions.

Mr. Conca asked for a motion to approve the resolution. Dr. Kazmir made the motion. Ms. Feehan seconded. The vote was unanimous and the motion passed.

AB RESOLUTION NO. PP-17

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Bond Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, MERIDIAN HEALTH SYSTEM OBLIGATED GROUP ISSUE, SERIES 2015A.

(attached)

b. University Hospital

Mr. Conca called on Steve Fillebrown to present the details of the University Hospital transaction to the Members.

Mr. Fillebrown introduced Tom Daly, Chief Financial Officer for University Hospital.

Mr. Fillebrown informed the Members the Authority was being asked to approve of a contingent sale of bonds on behalf of University Hospital. He stated that the proceeds of the bonds are expected to be used to refund and/or redeem all of the Authority's outstanding Revenue Bond Anticipation Notes, University Hospital Issue, Series 2013A; finance a portion of the costs of various capital improvements to University Hospital's existing acute care facility located in Newark, New Jersey; fund a Debt Service Reserve Fund, if necessary; and pay all or a portion of the costs of issuance.

Mr. Fillebrown reminded the Members that during 2012, Governor Christie signed into law the New Jersey Medical and Health Sciences Education Restructuring Act, P.L. 2012, c. 45 (the "Restructuring Act"). The Restructuring Act essentially divided the University of Medicine and Dentistry ("UMDNJ") among Rutgers University and Rowan University. It also established University Hospital as a stand-alone instrumentality of the State of New Jersey.

He further stated that in support of this legislation and on behalf of the Office of Public Finance and University Hospital, this Authority issued the University Hospital Series 2013A and 2013B Bond Anticipation Notes in the total amount of \$150 million with a stated maturity of July 2, 2017. At that time, University Hospital was being re-established with both a new organizational and managerial structure, and therefore it had no operating or credit history. These were the primary factors that prompted the decision to issue bond anticipation notes in lieu of a longer term financing option. With two years of operating and credit history, University Hospital is now ready to effectuate a cost effective long-term financing structure.

Mr. Fillebrown stated that John Kelly of Wilentz, Goldman & Spitzer, P.A., the Bond Counsel would present the Series Resolution pertaining to this transaction. He stated that following Mr. Kelly's presentation, either he or Mr. Daly would address any questions or concerns the Authority Members may have.

SERIES RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer, P.A., the Bond Counsel, stated that the Series Resolution authorizes the issuance of tax-exempt Series 20015A Bonds in an aggregate principal amount not in excess of \$300,000,000. The Series 2015A Bonds will bear interest at a fixed rate to maturity at a true interest cost not to exceed 8.00%. The Series 2015A Bonds will mature no later than July 1, 2046 and may be subject to redemption prior to maturity if set forth therein, provided, that the redemption price will be no greater than 105%. The Series 2015A Bonds will be secured by payments made by University Hospital under the Loan Agreement with the Authority and the obligations of Hospital under the Loan Agreement with the Authority will be evidenced and secured by a Note issued by Hospital in favor of the Authority. The Hospital's obligations under the Loan Agreement and the Note will be secured, to the extent permitted by law, by a gross receipts pledge of the Hospital made pursuant to the Loan Agreement. All right, title and interest of the Authority in the Loan Agreement and the Note (subject to the reservation of certain rights) will be assigned by the Authority to the Trustee as part of the Trust Estate securing the Series 2015A Bonds under the Resolutions.

In addition to the security provided by the Loan Agreement and the Note, the Series 2015A Bonds will also be secured by the provisions of a Series 2015A Lockbox Agreement by and among the Authority, the Hospital and TD Bank, National Association, as the Lockbox Bank. Pursuant to the Series 2015A Lockbox Agreement, the Hospital will direct the State Treasurer to pay directly to the Lockbox Bank certain unrestricted State aid amounts appropriated to the Hospital by the State Legislature in each fiscal year of the Hospital. Once it receives such unrestricted State aid amounts from the State Treasurer, the Lockbox Bank will withhold therefrom and pay to the Trustee for the Series 2015A Bonds on a monthly basis, the amounts required by the terms of the Series 2015A Lockbox Agreement which are necessary to accrue an amount sufficient to pay the principal of and/or interest of the Series 2015A Bonds coming due on the next succeeding interest and/or principal payment date of the Series 2015A Bonds. All unrestricted State aid amounts that are remaining after the Lockbox Bank withholds the required monthly amounts will be paid by the Lockbox Bank to the Hospital and those amounts can be used by the Hospital for its purposes. All right, title and interest of the Authority in the Series 2015A Lockbox Agreement will also be assigned by the Authority to the Trustee as part of the Trust Estate securing the Series 2015A Bonds under the Resolutions.

The Series Resolution approves the form of and authorizes the execution of a Bond Purchase Contract with Morgan Stanley & Co. Incorporated, as Underwriter for the Series 2015A Bonds prior to the close of business on February 1, 2016. The Series Resolution also approves the form of the Series 2015A Bonds, Preliminary Official Statement, Official Statement, Loan Agreement, Series 2015A Lockbox Agreement and a Letter of Instructions. The Series Resolution appoints TD Bank, National Association as Trustee, Bond Registrar and Paying Agent for the Series 2015A Bonds. In addition, it authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or advisable in connection with issuance, sale and delivery of, and security for the Series 2015A Bonds.

Mr. Conca thanked Mr. Fillebrown and asked if the Authority Members or the public any questions. There were no questions.

Mr. Conca asked for a motion to approve the resolution. Dr. Kazmir made the motion. Ms. Feehan seconded. The vote was unanimous and the motion passed.

AB RESOLUTION NO. PP-18

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Series Resolution entitled, “NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE AND REFUNDING BONDS, UNIVERSITY HOSPITAL ISSUE, SERIES 2015A.”

(attached)

Mr. Conca closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended.

3. CONTINGENT BOND SALE Samaritan Healthcare and Hospice

Mr. Conca asked Carl MacDonald to present the details of the Samaritan Healthcare and Hospice transaction to the Members.

Mr. MacDonald began by introducing Mary Finn, Vice President of Finance, and Clinton Boyd, Controller of Samaritan Healthcare and Hospice.

Mr. MacDonald informed the Members that they are being asked to consider a contingent sale of bonds on behalf of Samaritan Healthcare and Hospice Inc. (“Samaritan”), in an aggregate principal amount not to exceed \$7,865,000. The proceeds of the Series 2015 Bonds, together with other funds, will be used by Samaritan to provide funds to: (i) construct and equip an approximately 30,000 square foot inpatient hospice facility; (ii) pay capitalized interest on the Series 2015 Bonds; and (iii) pay certain costs incidental to the issuance and sale of the Series 2015 Bonds.

Mr. MacDonald reminded the Members that Samaritan had conducted an informational presentation and TEFRA hearing at the Authority’s April board meeting with regard to the new hospice inpatient center. Extended negotiations between Samaritan and Wells Fargo, the Purchaser, were necessary to ensure the most adequate transaction terms were agreed upon.

Mr. MacDonald informed the Members that Samaritan is an independent not-for-profit organization serving patients and families in Southern New Jersey, an area that includes Atlantic, Burlington, Camden, Gloucester, and Mercer Counties. There are no affiliates, partners, or

parent organizations of Samaritan. The Series 2015 Bonds will be its first financing through this Authority.

According to Mr. MacDonald, the Series 2015 Bonds will be issued and sold on a direct purchase basis to Wells Fargo Bank, N.A. (the “Purchaser”). The Bonds will be secured by a gross revenue pledge and a leasehold mortgage on certain Samaritan property. The Bonds shall initially bear interest at a fixed Direct Purchase Rate for the first 11.5 years after closing, at which time the Bonds are subject to a mandatory tender. The initial Direct Purchase Rate for the Series 2014 Bonds will be set at closing and is currently estimated at 2.75%.

Mr. MacDonald told the Members that John Draikiwicz of Gibbons PC is serving as bond counsel on this transaction and called upon him to present the Bond Resolution.

Mr. MacDonald said that following the presentation, he, members of the Samaritan Management team and Mr. Draikiwicz would address any questions or issues the Members may have regarding this transaction.

BOND RESOLUTION

John Draikiwicz, Esq., of Gibbons PC stated that the Bond Resolution authorizes the issuance of the Series 2015 Bonds in an aggregate principal amount not in excess of \$7,865,000. The Bond Resolution provides that the Series 2015 Bonds shall mature no later than December 31, 2040. From their date of initial issuance and delivery until the interest rate is converted to another permitted mode, the Series 2015 Bonds shall bear interest at the Direct Purchase Rate. The initial Direct Purchase Rate for the Series 2015 Bonds will be determined at closing, provided that such initial Direct Purchase Rate shall not exceed 4.0%. The Series 2015 Bonds will be subject to redemption prior to maturity as set forth in the Trust Agreement, provided, that the redemption price cannot be greater than 105%.

When issued, the Series 2015 Bonds will be payable and secured under the Series 2015 Trust Indenture. The Series 2015 Bonds will be secured by payments made by Samaritan pursuant to the Loan Agreement.

The Bond Resolution approves the form of and authorizes the execution of a Direct Bond Purchase Agreement by and among the Authority, Samaritan and Wells Fargo Bank, N.A., in its capacity as purchaser of the Series 2015 Bonds, prior to the close of business on December 16, 2015. No disclosure document is being prepared in connection with the issuance of the Series 2015 Bonds and, as a result, the Bond Resolution also requires the Bank to provide the Authority with a travelling investor letter on or prior to the date of closing.

The Bond Resolution also appoints TD Bank National Association as Bond Trustee for the Series 2015 Bonds and authorizes the Authorized Officers of the Authority to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Direct Bond Purchase Agreement, the Loan Agreement, the Trust Agreement, and the issuance and sale of the Series 2015 Bonds.

Mr. Conca thanked Mr. MacDonald asked if there were any questions from the Authority Members or the public. There were no questions.

Mr. Conca asked for a motion to approve the resolution. Dr. Kazmir made the motion. Ms. Kralik seconded. The vote was unanimous and the motion passed.

AB RESOLUTION NO. PP-19

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Bond Resolution entitled, “A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, SAMARITAN HEALTHCARE & HOSPICE ISSUE, SERIES 2015.”

(attached)

4. NEGOTIATED PRIVATE PLACEMENT AND INFORMATIONAL PRESENTATION

AtlantiCare Regional Medical Center

Mr. Conca asked Executive Director Mark Hopkins to present details of AtlantiCare Regional Medical Center’s request for a negotiated sale in the form of a private placement.

Mr. Hopkins reported that AtlantiCare Regional Medical Center (“AtlantiCare”) has signed a Memorandum of Understanding with the Authority to undertake a financing of approximately \$130 million, the proceeds of which will be used for the refinancing of the Authority’s 2012A, 2012B and 2014 Bonds; as well as pay the cost of issuance on the transaction.

Mr. Hopkins informed the Members that AtlantiCare Health System (“the System”) is the sole member of AtlantiCare that operates two hospitals – one located in Atlantic City (the City Campus) and the other in Pomona (Mainland Campus). AtlantiCare offers health care services to the residents of Atlantic, Cape May, Cumberland and southern Ocean Counties in southeastern New Jersey. The Atlantic City campus provides the region’s only Level II Trauma Center; a regional psychiatric crisis center; a comprehensive center for surgical weight loss; and a complete array of inpatient and ambulatory healthcare services, including obstetrics and gynecology. The Mainland Campus offers specialized services in cardiac care, including cardiac bypass and cardiac catheterization, orthopedics, neonatal intensive care, as well as a new birthing center and a state of the art emergency department.

Mr. Hopkins also stated that AtlantiCare and Geisinger Health System Foundation (the “Foundation”) have entered into an agreement whereby the Foundation will become the sole corporate member of AtlantiCare on or about October 1, 2015. Proceeds from the Series 2015

transaction will be used to refinance and restructure AtlantiCare's bank-held private placement bond issues. The Series 2012A, 2012B, and 2014 Bonds are currently held by Wells Fargo, PNC, and TD Bank, respectively.

According to Mr. Hopkins, AtlantiCare has actively utilized the services of the Authority, having completed thirteen financings with an aggregate principal amount exceeding \$783 million (eleven bond deals; two CAP loans). Most recently, AtlantiCare executed a \$60 million private placement in 2014, the proceeds of which were used for capital improvements to the facilities. As of June 30 2015, AtlantiCare has approximately \$231.8 million of Authority issued debt outstanding.

In addition, Mr. Hopkins reported that annual audited financial statements for 2014 indicate that AtlantiCare had an excess of revenues over expenses of \$75.3 million compared to \$51.7 million for the same period of 2013. Unaudited numbers for the first three months of 2015 reflect an excess of revenues over expenses of \$9.3 million. Excluding bassinets, AtlantiCare has 571 licensed beds and employs over 3000 people. AtlantiCare is currently rated "A1/A+/A+" from Moody's, S&P and Fitch respectively. For year-end 2014, AtlantiCare had over 285 days cash on hand, an operating margin of 7.23% and debt service coverage of 7.42 times.

Mr. Hopkins said that AtlantiCare has asked that the Authority permit the use of a negotiated sale based on: Sale of a complex financing structure. This reason is considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale. Also, in accordance with Authority policy, a Borrower requesting a private placement must justify its rationale for this request. AtlantiCare has conducted a financial analysis to determine whether to proceed with a private placement or a public offering. Based upon its analysis, a private placement would provide the appropriate transactional flexibility necessary to facilitate AtlantiCare's pending merger with Geisinger Health System.

Mr. Hopkins recommended the consideration of the resolution before the Members, approving the use of a private placement form of negotiated sale and forwarding a copy of the justification in support of said resolution to the State Treasurer.

Mr. Conca thanked Mr. MacDonald asked if there were any questions from the Authority Members or the public. There were no questions.

Mr. Conca asked for a motion to approve the resolution. Dr. Kazmir made the motion. Ms. Kralik seconded. The vote was unanimous and the motion passed.

AB RESOLUTION NO. PP-20

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)

5. FINANCIAL PRINTING CONTRACT

Mr. Conca called upon Ellen Lieber to provide Staff's recommendation for the financial printing contract.

According to Ms. Lieber, the current contract for the printing of Preliminary and Final Official Statements and other related documents for the Authority's revenue bonds expires on October 31, 2015. As a result, staff sent Requests for Proposals to nine (9) firms. Unlike previous RFP's for the Financial Printing Contract, this RFP does not call for the printing of Preliminary Official Statements. The Preliminary Official Statements will be distributed electronically.

Ms. Lieber informed the Members that mandatory bidder's conference was held at the Authority on July 30, 2015 and was attended by four (4) firms. We received proposals from two (2) of the four (4) firms. It was determined that one (1) of the two (2) firms was non-compliant due to their printing facility not being located in the metropolitan New York City, New Jersey and Philadelphia area as required by the RFP guidelines, while the other firm was compliant.

Ms. Lieber said that, based on the analysis of the pricing and sample billing information received from the compliant firm along with excellent references, McElwee & Quinn LLC was the lowest responsible bidder. According to Ms. Lieber, staff recommended that the contract for the electronic distribution of Preliminary Official Statements and printing of Final Official Statements and other related documents be awarded to McElwee & Quinn LLC.

Ms. Lieber added that they are the Authority's current printer and that staff has been very pleased with the quality and timeliness of their work. The contract period will start November 1, 2015 and run through October 31, 2018. The Authority would also reserve the right to extend the original terms of the contract for a maximum of two (2) additional one-year periods.

Ms. Lieber then offered to answer any questions that the Authority Members might have.

Mr. Conca asked if the members had any questions. There were no questions.

Mr. Conca asked for a motion to approve the resolution. Dr. Kazmir made the motion. Ms. Feehan seconded and expressed his personal appreciation for Mr. O'Neill. The vote was unanimous and the motion passed.

AB RESOLUTION NO. PP-21

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the awarding of the Authority's financial printing contract to McElwee and Quinn, LLC. The contract shall be for three years with the option of two one-year extensions.

6. NEW/OLD BUSINESS

Resolution of Appreciation for Brian O'Neill

Mr. Conca reported that former Department of Health Designee Brian O'Neill has left the Department. Mr. Conca read to the Members a Resolution of Appreciation for former Department of Health Designee Brian O' Neill.

Mr. Conca asked for a motion to approve the resolution. Dr. Kazmir made the motion. Ms. Kralik seconded. The vote was unanimous and the motion passed.

AB RESOLUTION NO. PP-22

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION OF APPRECIATION FOR BRIAN O'NEILL as Designee of the New Jersey Department of Health and thanks him for his service.

(attached)

7. APPROVAL OF EXPENSES

Mr. Conca referenced a summary of Authority expenses and invoices provided to the Members. Dr. Kazmir offered a motion to approve the bills and to authorize their payment. Ms. Feehan seconded the motion. All Members voted in the affirmative and the motion carried.

AB RESOLUTION NO. PP-23

WHEREAS, the Members of the Authority have reviewed the memoranda dated September 13, 2015, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$1,372.52 and \$21,788.00 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.

8. STAFF REPORTS

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

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

Mr. Hopkins presented the following items to Members:

1. Members of the Finance Committee, Ms. Charters, Dr. Kazmir and Ms. Rodriguez are reminded that a Finance Committee meeting is scheduled for Wednesday, October 7, 2015 at 10:00 a.m. to consider the proposed 2016 Authority budget.
2. Hospital & Other News
 - a. Inspira Health Network has announced plans to build a new hospital in the Mullica Hill section of Harrison Township, Gloucester County. The plan includes moving inpatient services currently provided by Inspira Medical Center in Woodbury to the new facility once it is completed, which is expected to be in 2018. The Woodbury site will remain open to expand other services at that location.
 - b. Virtua Health has announced plans to build a \$1 billion hospital and medical campus in Westhampton Township. The new hospital will replace Virtua Memorial Hospital in Mount Holly. Construction is expected to begin in 2019 with the hospital portion being completed by as early as 2022.
 - c. Barnabas Health is planning to open a 24-hour emergency center in Bayonne just five blocks away from CarePoint's Bayonne Medical Center.
 - d. Moody's has affirmed the A2 bond rating on \$139.2 million of bonds issued by the Authority on behalf of South Jersey Hospital System, which is now part of Inspira Health Network. The outlook on the bonds remains stable.
 - e. Valley Hospital has received the Women's Choice Award for being one of the 100 best hospitals in the country for patient experience. The scores are compiled by taking the Hospital Consumer Assessment of Healthcare Providers and Systems patient satisfaction scores from female patients.
 - f. Robert Wood Johnson University Hospital received two honors. It was named by Modern Healthcare as one of the "100 Best Places to Work in Healthcare" in 2015. It also received the American Hospital Association "Equity of Care Award" for demonstrating a high level of success in reducing health care disparities and promoting diversity in leadership and staff. RWJUH was one of only two, out of nearly 5,000 hospitals, to receive the AHA's Equity of Care Award.
 - g. Horizon Blue Cross Blue Shield of New Jersey announced the OMNIA Health Alliance on September 10. OMNIA consists of a partnership with six major health systems and

one large physician group as well as an agreement with eight other hospital systems. The six-partner health systems are Atlantic Health System, Barnabas Health, Hackensack University Health Network, Hunterdon Healthcare, Inspira Health Network and Robert Wood Johnson Health System, which combined represent 22 hospitals. The eight hospitals or systems entering into an agreement with OMNIA, referred to as Tier 1 under the plan, are AtlantiCare, Cape Regional Medical Center, Cooper University Health System, Englewood Hospital, Meridian Health, Shore Medical Center, St. Joseph's Regional Medical Center and Princeton HealthCare System, representing 12 hospitals. Members selecting health insurance under the OMNIA plans are expected to pay lower premiums and pay lower co-pays and deductibles for services provided by OMNIA partners and Tier 1 hospitals. The stated objective of OMNIA is to provide health care value by rewarding quality and not quantity of services. The selection of certain hospitals and systems has caused an outcry from hospitals that were not selected to be partners or Tier 1 hospitals. Members of the New Jersey legislature and local elected officials have also raised concerns about the selection of providers. Numerous articles on OMNIA are provided.

- h. Several other articles are provided on the following New Jersey issues: (i) New Jersey doctors have been the slowest in the nation to adopt electronic health records; (ii) the rate of uninsured New Jersey residents fell 17% in 2014 but some enrollees are failing to pay their monthly premiums; (iii) New Jersey business are seeing a 10% increase in family health insurance premiums compared to only a 4% for single workers; (iv) 19 New Jersey federally qualified health centers were given a total of \$7 million from the Affordable Care Act by the federal Department of Health and Human Services to increase access to primary care services to those most in need; (v) New Jersey is seventh in the number of narrow insurance networks which provide insurance at a lower cost in return for offering access to fewer health care providers; (vi) how the increase in retail health care clinics and health care apps are changing the doctor-patient relationship in New Jersey; and (vii) the report issued by a health care coalition supporting legislative efforts to prevent patients from receiving surprise out-of-network bills.

- i. Several other articles are provided on the following national issues affecting health care, securities laws and tax exempt bonds: (i) Fitch's report on how health care REITs are aiding hospital consolidations in the U.S.; (ii) who will benefit from CMS's changes to the "two-midnight" rule; (iii) Fitch, Moody's & Standard & Poor's improved outlooks for the nonprofit healthcare sector; (iv) Modern Healthcare's reporting on the 8.4% decline in hospital discharges between 2013 and 2014; (v) patient costs more than projected at many Accountable Care Organizations; (vi) three reasons Accountable Care Organizations will thrive; (vii) continued moderate increases in the costs and prices of health care; (viii) the recent trend toward hospital acquisitions of physician practices, retail health clinics and digital resources rather than traditional hospital mergers and acquisitions; (ix) the significant decline in uninsured patient discharges from hospitals in States that adopted Medicaid expansion; (x) the criticisms from the tax-exempt bond market participants of the Treasury Department's proposed alternate method of calculating issue price of bonds; (xi) the lack of consistency in continuing disclosure for conduit bonds; and (xii) the Justice Department's inquiry into municipal bond pricing.

- j. There are several articles on the new ICD-10 coding system, which on October 1, 2015 will be required to be used for clinical health care services for both payment and reporting purposes. The ICD-9 coding system, which has been in use for over 30 years, will be replaced by the ICD-10 coding system which has more than 155,000 new diagnosis and procedure codes, about five times more codes than doctors are currently dealing with under ICD-9 and about 29 times more codes than hospitals are currently dealing with. Most large developed nations around the world have already implemented ICD-10. The United States has delayed implementation each year for the last three years. There are concerns that small clinical practices may not be prepared for the change but most large practices, insurers and hospitals are expected to be prepared. Nevertheless, a delay caused by any of the links in the health care chain - doctor, hospital, vendor or insurer - could cause a delay in reimbursements to providers. The result may be cash flow shortfalls to hospitals. The Authority staff will be monitoring our hospitals and FQHC credits more closely over the next few quarters to see if there is a negative impact on their cash flows. Mr. Fillebrown added that the HFMA article was fairly straightforward. He said that testing is going on and rejections rates are as high as 20% and not everyone will be ready.

3. Authority News

Mr. Hopkins reported that he attended the Fall Conference of the National Association of Health and Educational Facilities Finance Authorities last week in Seattle. Once the presentations made at the conference are made available on NAHEFFA's website, Mr. Hopkins will email a link to Authority Members who may wish to review them. In the meantime, the following is a summary of key points addressed during the conference:

- a. The presentation on the economic and political outlook for municipal bonds accurately predicted no change in the Fed rate at its September meeting but noted that interest rates were already reflecting an increase for later this year. Any significant changes to the status of tax-exempt bonds would be off the table until the next President takes office in January of 2017.
- b. There is a great deal of new technology available to market, track and provide disclosure for municipal bonds. An underwriter is offering a "Deal Book" where an issuer can see orders live. It also shows historical deals done for the issuer by that underwriter as well as secondary market trading. Investor roadshows are also available from a publisher of official statements. The roadshows can also be used to provide updates and monitor who has viewed the roadshow to see where interest in the bonds may be coming from.
- c. Representatives from the National Association of Bond Lawyers discussed the SEC's increase over the last few years to 30 staff members in eight offices dedicated to municipal bond enforcement and the importance of not only borrowers but also issuers to have disclosure policies in place. NABL has recently published a new disclosure white paper.

- d. Representatives of the National Federation of Municipal Analysts, the trade organization that represents many of the purchasers of our bonds, touted its white paper on best practices for disclosure for health care bonds. It also discussed its recommended best practices for disclosure for bonds directly purchased by a bank, which recommends filing an event notice on EMMA with either a summary or the full loan documents with proprietary terms redacted, when the borrower has other publicly issued bonds outstanding. They also mentioned that they preferred interactive roadshows to pre-recorded roadshows and, to the extent that prerecorded roadshows are used, they requested issuers provide some method to respond to questions.
- e. The authorities who attended held a roundtable to discuss issues affecting our organizations including setting fees, issuance of non-rated bonds and how borrowers learn about our services.

Mr. Conca thanked Mr. Hopkins for his report then asked for a motion to enter into Executive Session to discuss a potential legal matter regarding St. Michael's Medical Center.

Ms. Kralik made the motion. Ms. Feehan seconded. The vote was unanimous and the motion passed. As permitted by the Open Public Meetings Act and the Authority's By-Laws, the Members will now meet in Executive Session to discuss potential litigation and contractual negotiations regarding St. Michael's Medical Center. The Members went into Executive Session at 10:47 a.m.

AB RESOLUTION NO. PP-24

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 contractual negotiations regarding St. Michael's 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.

The Members went back into public session at 11:02

After the Executive Session ended, hearing no further business, following a motion by Dr. Kazmir and a second by Ms. Kralik, the Members voted unanimously to adjourn the meeting at 11: 04 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
SEPTEMBER 24, 2015.

Carole A. Conover, Assistant Secretary