Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on February 23, 2017, on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

Dr. Munr Kazmir, Vice Chair (Chairing); Maryann Kralik, Designee of the Commissioner of the Department of Banking and Insurance; Jessica Feehan, Designee of the Commissioner of Human Services; and, via telephone, Suzette Rodriguez, Public Member.

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

Mark Hopkins, Ron Marmelstein, Frank Troy, Bill McLaughlin, Carole Conover, Edwin Fuentes, Marji McAvoy, Ellen Lieber, Taryn Rommell, Jessica Lucas, John Johnson, Debra Coons, Neetu "Nikki" Thukral, Nino McDonald, Michael Solidum, Bernie Miller and Chris Kniesler.

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

Cliff Rones, Attorney General's Office; Labinot Berlajolli, Governor's Authority's Unit; Glenn Zirbser, Senior Vice President and Chief Financial Officer and Kim Alliano, Vice President of Finance and Ed Sullivan, Senior Vice President and Chief Legal Officer, Kennedy Health System; Bob Palermo, Vice President of Finance, Hackensack Meridian Health; Tom Baldosaro, Executive Vice President and Chief Financial Officer, Inspira Health Network; and Brian Carter and Frances Tabas, Wells Fargo Securities; Kay Fern, Evergreen Financial Services; Carlos Desucras, Loop Capital; Chris McCann, JP Morgan

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:03 a.m. and announced that this was a regular Meeting of the Authority, held in accordance with the schedule adopted at the May 26, 2016 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
<u>**January 26, 2017 Authority Meeting**</u>

Minutes for the January 26, 2017 Authority meeting were distributed for review and approval prior to the meeting. Dr. Kazmir asked for a motion to approve the minutes. Ms. Feehan made the motion. Ms. Kralik seconded. Dr. Kazmir asked if there were any questions on the motion.

There were no questions. He then called for a vote. All Members voted in the affirmative and the minutes were approved.

2. NEGOTIATED SALE REQUEST & INFORMATIONAL PRESENTATION
<u>**Inspira Health Network**</u>

Dr. Kazmir called upon Edwin Fuentes to provide the Members with the details of the negotiated sale request by Inspira Health Network. He reminded the Members that they were only voting on the use of a negotiated sale, not the actual sale of bonds.

Mr. Fuentes began by introducing Tom Baldosaro, Executive Vice President and Chief Financial Officer of Inspira Health Network. He then advised the Members that the presentation is a request to proceed with the use of a negotiated sale, a request to use a private placement form of negotiated sale and an Informational Presentation for the proposed tax-exempt financing for the Inspira Health Network ("Inspira").

Mr. Fuentes informed the Members that Inspira has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt negotiated sale of approximately $325 million, issued in the form of either a public offering, or multiple series which could include both a public offering and a private placement. He said that the proceeds of the transaction will be used to: fund the replacement and relocation of Inspira Medical Center in Woodbury, NJ to its new campus in Harrison Township; fund an expansion of Inspira Medical Center in Vineland NJ; reimburse Inspira for certain prior expenses; fund a debt service reserve fund, if required; fund a capitalized interest account, if required; and pay the related costs of issuance.

Mr. Fuentes stated that 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. Inspira is now comprised of three acute care hospitals and four multi-specialty health centers. The hospitals are Inspira Medical Center Vineland, a 276-bed facility in Cumberland County; Inspira Medical Center Elmer, a 96-bed facility in Salem County; and Inspira Medical Center Woodbury, a 305-bed facility in Gloucester County.

Mr. Fuentes reminded the Members that Inspira Health Network issued Authority bonds in 2016 in the amount of $177,765,000, the proceeds of which were used to refund all of Inspira's outstanding debt with the Authority.

According to Mr. Fuentes, the unaudited financial statements for the first three quarters of 2016 indicate that Inspira had an excess of revenues over expenses of $48.36 million compared to $36.06 million for the same period of 2015. Excluding bassinets, Inspira has 722 licensed beds and is currently rated "A2" by Moody's. Based on audited numbers for 2015, Inspira has over 405 days cash on hand, an operating margin of 11.1% and debt service coverage of 5.52 times, all well above state medians for the respective categories. Unaudited year-to-date performance for the period ended December 31, 2016, indicates stability in each of the aforementioned categories.

Mr. Fuentes told the Members that the unaudited financials also show improvement in Inspira's Annual Inpatient Utilization Trends for the first three quarters of 2016. Licensed beds increased to 722, inpatient days increased by 39%, inpatient admissions increased by 41%, while occupant rates and average length of stay were down slightly.

Mr. Fuentes stated that Inspira has asked that the Authority permit the use of a negotiated sale based on: (1) large issue size, (2) market volatility, (3) sale of a complex financing structure involving the simultaneous sale of more than one series of bonds, and (4) variable rate structure. These reasons are considered under the Authority's policy regarding Executive Order #26, to be justifications for the use of a negotiated sale. He then recommended the consideration of the resolution, approving the use of a negotiated public offering and the forwarding a copy of the justification in support of said resolution to the State Treasurer.

Mr. Fuentes continued by reminding the Members that, under the Authority's policies, a Borrower requesting a private placement form of a negotiated sale must justify the use of a private placement by showing that it is either less expensive on a present value basis to complete a private placement or that there are other circumstances that would limit the effectiveness or usefulness of a negotiated sale using a public offering. Inspira provided justification that a private placement would (i) reduce costs of issuance; (ii) provide better interest rates compared to publicly issued bonds; and (iii) provide less put risk, renewal risk, and remarketing risk associated with variable rate public bonds. Mr. Fuentes recommended the consideration of the resolution, approving the use of a private placement form of negotiated sale for all or a portion of the Series 2017 Bonds, and forwarding a copy of the justification in support of said resolution to the State Treasurer.

Mr. Fuentes also reminded the Members that, in accordance with Authority policy, Inspira management was required to submit financial projections. The projections covering the years 2015 through 2017 were included in the Members' meeting packets and have been reviewed by staff subsequent to the mailing.

Mr. Fuentes concluded by saying that Inspira has conducted a competitive process to name a senior managing underwriter and has selected J.P. Morgan Securities to serve as Senior Underwriting Manager and Morgan Stanley to serve as Co-Senior Managing Underwriting. John Kelly from Wilentz Goldman and Spitzer will be serving as Bond Counsel.

Mr. Fuentes said that he or Mr. Baldosaro would be happy to address any questions from the Members. There were no questions.

Executive Director Mark Hopkins informed the Members that this is the second time that the Authority has approved simultaneously resolutions for both a negotiated public offering and a negotiated private placement. Mr. Hopkins said that due to rapidly changing market conditions, the Authority believes that this will provide the borrowers with some flexibility at the time of pricing. When there is more than one option available, the hospitals can achieve a finance structure that is most advantageous to them, closer to the time of financing.

Dr. Kazmir asked for a motion to adopt the resolution authorizing the use of a negotiated sale in the form of a public offering. Ms. Feehan offered the motion. Ms. Kralik seconded the motion. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. He then called for a vote. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. QQ-58

> **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)

Dr. Kazmir asked for a motion to adopt the resolution authorizing the use of a negotiated sale in the form of a private placement. Ms. Feehan offered the motion. Ms. Kralik seconded the motion. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. He then called for a vote. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. QQ-59

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

(attached)

Mr. Hopkins noted that the resolution for the negotiated private placement was not in the Members' meeting packets. He then asked Mr. Fuentes if it was provided to the Members today. Mr. Fuentes said that it was not. Mr. Hopkins asked for copies to be provided to the members present and asked that it be emailed to Ms. Rodriguez. After consultation with Deputy Attorney General Rones, it was determined that a second vote would be required on the resolution regarding the private placement.

Dr. Kazmir then proceeded with the next agenda item while the copies were being made.

3. APPOINTMENT OF CO-MANAGERS
<u>Inspira Health Network</u>

Dr. Kazmir asked Bill McLaughlin to present the request for the appointment of Co-managers for the Inspira Health Network transaction.

Mr. McLaughlin told the Members that Inspira Health Network has notified the Authority that they have completed a competitive process and selected J.P. Morgan to serve as their senior managing underwriter and Morgan Stanley as Co-Senior Managing Underwriter.

Mr. McLaughlin said that, given the expected $326 million par amount for this public series, staff is recommending the assignment of three (3) co-managers. According to Mr. McLaughlin, under current Authority policy, co-managing underwriter assignments are awarded on a rotational basis that will consider the firms demonstrated ability to distribute New Jersey securities of comparable credit quality, capital sufficiency and borrower preference.

Mr. McLaughlin stated that staff supports the Borrower’s recommended appointment of Wells Fargo as co-managing underwriter and proposes adding Loop Capital Markets and M&T Securities to the transaction as co-managing underwriters. Mr. McLaughlin said that each firm has been qualified by this Authority to serve in the role of co-managing underwriter, has demonstrated the ability to distribute New Jersey securities and has sufficient capital to participate in the transaction.

Mr. McLaughlin offered to answer any questions from the Members. There were no questions.

Dr. Kazmir thanked Mr. McLaughlin for his presentation and asked if there were any comments or questions from the Authority Members. There were no questions.

Dr. Kazmir asked for a motion to approve the appointment of Wells Fargo, Loop Capital Markets, and M&T Securities as Co-managers for the Inspira Health Network transaction. Ms. Feehan offered the motion. Ms. Kralik seconded the motion. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. He then called for a vote. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. QQ-60

> **NOW, THERFORE, BE IT RESOLVED,** that the Authority hereby approves the appointment of Wells Fargo, Loop Capital Markets, and M&T Securities as Co-managers for the Inspira Health Network transaction.

Dr. Kazmir continued with the next agenda item to allow time for Ms. Rodriguez to receive the resolution.

4. INFORMATIONAL PRESENTATION
<u>Hackensack Meridian Health</u>

Dr. Kazmir called upon Edwin Fuentes to provide the Members with the information on the Hackensack Meridian Health transaction. He told the Members that the presentation was for informational purposes only and that no action was required.

Mr. Fuentes began by introducing Bob Palermo, Vice President of Finance for Hackensack Meridian Health.

Mr. Fuentes informed the Members that Hackensack Meridian Health Network has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt public offering of approximately $680 million of bonds. The proceeds of the proposed transaction will be used to: 1) refund all or a portion of certain outstanding Authority issued bonds; 2) refinance an acquisition financing bridge loan with Bank of America Merrill Lynch; 3) reimburse the Network for certain prior expenses related to its HOPE Tower construction project; 4) fund a debt service reserve fund, if required; 5) fund a capitalized interest account, if necessary; and 6) pay the related costs of issuance.

Mr. Fuentes said that Hackensack Meridian Health Network (the "Network") is a not for profit healthcare system located in New Jersey. It was formed in July of 2016 by the consolidation of Hackensack University Medical Center and Meridian Health System. The Network provides inpatient, outpatient, and emergency care services for a number of communities throughout the state of New Jersey.

Mr. Fuentes reported that, currently, the legacy organizations of Hackensack Meridian Health Network and its affiliates have seventeen (17) outstanding debt obligations through this Authority, originally issued in an aggregate par amount of approximately $1.457 billion, of which approximately $1.1 billion remains outstanding as of January 1, 2017.

According to Mr. Fuentes, the Network is currently rated A+ by Standard & Poor's. Per the combined annual audited financial information representing both legacy institutions, Days Cash on Hand rose from 178.61 days in 2014 to 197.1 days in 2015, which is materially stronger than the 2015 Statewide Median of 57.08 days. The Network's Operating Margin for the years 2014 and 2015 was stable at 6.14% and 6.86%, respectively. Debt Service Coverage Ratio at year end 2015 was solid at 3.74 times.

In addition, Mr. Fuentes said that combined unaudited financial statements for the first half of 2016 shows the Network's annual inpatient utilization trends as positive, compared to the same period in 2015. Inpatient admissions increased from approximately 74.6 thousand to 80.7 thousand, as did Inpatient Days from approximately 362.1 thousand to 384.7 thousand. Average Length of Stay slightly decreased by 0.08 days.

Mr. Fuentes said that Hackensack Meridian has conducted a competitive process to name a senior managing underwriter and has selected Bank of America Merrill Lynch to serve as Senior Managing Underwriter and Wells Fargo Securities to serve as Co-Senior Managing Underwriter. John Kelly from Wilentz Goldman and Spitzer will be serving as Bond Counsel.

Mr. Fuentes reminded the Members that this was for informational purposes only and said the he or Mr. Palermo would answer any question that the Members may have. There were no questions.

Inspira Health Network Private Placement Resolution

At this time Dr. Kazmir asked for a motion to approve the resolution allowing a negotiated sale in the form of a private placement on behalf of Inspira Health Network.

Mr. Hopkins noted that the justification for the private placement was not in the resolution. After consultation with Counsel, it was determined that the Members could vote on the resolution as amended.

Mr. Fuentes then read into the record the portion to be added to the resolution regarding private placement.

Dr. Kazmir asked for a motion to adopt the resolution authorizing the use of a negotiated sale in the form of a private placement as amended. Ms. Feehan offered the motion. Ms. Kralik seconded the motion. Dr. Kazmir asked if the Members had any questions on the motion. Ms. Feehan asked for confirmation that the vote was for the resolution as amended. Mr. Hopkins replied that it was. There were no more questions. Dr. Kazmir then called for a vote. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. QQ-59

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

(attached)

5. INFORMATIONAL PRESENTATION AND APPOINTMENT OF CO-MANAGERS

Kennedy Health System

Dr. Kazmir asked Edwin Fuentes to provide the Members with the information on the Kennedy Health System transaction.

Mr. Fuentes began by introducing Glenn Zirbser, Senior Vice President and Chief Financial Officer, and Kim Alliano, Vice President of Finance from Kennedy Health System.

Mr. Fuentes informed the Members that Kennedy Health System ("Kennedy") has requested that the Authority consider the issuance of approximately $175 million of bonds, the proceeds of which are expected to: finance the construction of a new patient care tower at Kennedy's Cherry Hill acute care campus; reimburse Kennedy for certain prior expenses; refund all or a portion of Kennedy's 2009 and 2012 Authority issued bonds, currently with an aggregate outstanding balance of approximately $75.8 million; fund a debt service reserve, if required; fund capitalized interest, if required; and to pay the related costs of issuance. The transaction is expected to be structured as a publicly issued fixed rate financing. The Hospital is currently rated A3 by Moody's.

Mr. Fuentes said that Kennedy is a New Jersey not for profit organization that operates a 607-bed multi-campus hospital system with facilities in Stratford, Cherry Hill and Turnersville, New Jersey. Kennedy University Hospital (the "Hospital") is the core component of the System and is the major teaching affiliate of the Rowan University School of Osteopathic Medicine.

According to Mr. Fuentes, the annual audited financial information for Kennedy indicates that Days Cash on Hand increased slightly from 173.58 days in 2014 to 177.82 days in 2015, remaining stronger than the 2015 Statewide Median of 52.59 days. Kennedy's Operating Margin for the years 2014 and 2015 was positive at 9.39% and 7.61%, respectively. Debt Service Coverage Ratio and the Cushion Ratio at year end 2015 were very strong at 8.36 times and 25.34 times respectively. Days in Accounts Receivable are well managed at 42.11 days versus the statewide median of 42.76 days and full time employees per adjusted occupied bed were 6.76 versus a statewide median of 5.50. Unaudited performance for the first 10 months of 2016 indicates stability in the aforementioned categories.

Mr. Fuentes reported that the unaudited financials for the first three quarters of 2016 shows Kennedy's Annual Inpatient Utilization Trends remaining positive compared to the same period in 2015; showing increases in inpatient days, inpatient admissions and occupancy rate, while, length of stay has decreased slightly.

In accordance with Authority policy, Mr. Fuentes said that Kennedy's management was required to submit financial projections. The projections covering the years 2017 through 2021 were included in the Members' meeting packets and had been reviewed by staff prior to the mailing.

Mr. Fuentes said that Kennedy Health System has solicited proposals from underwriting firms and, after a thorough review, Kennedy has selected Wells Fargo Securities to serve as Senior Managing Underwriter and Bank of America Merrill Lynch to serve as Co-Senior Managing Underwriter.

Mr. Fuentes then reminded the Members that this was an Informational Presentation and that no action was required by the Members.

He then told the Members that Glenn Zirbser would give a short presentation on the new money project, after which he, Mr. Zirbser and Ms. Alliano would answer any questions the Members may have.

Mr. Zirbser began by introducing Ed Sullivan, Senior Vice President and Chief Legal Officer for Kennedy Health System. He then gave a brief summary of the projects that would be financed by the bond issue. They included: the construction of a new 120-bed patient care tower at Kennedy's Cherry Hill acute care campus; a new parking garage; and a new surgical center. The projects are expected to be completed by December 2019.

Mr. Hopkins asked if the new patient rooms would be private. Mr. Zirbser responded that 100% of the new rooms would be private and that will then allow them to convert more existing rooms to private as well. There were no other questions.

Dr. Kazmir then called upon Bill McLaughlin to present the request for the appointment of Co-managers for the Kennedy Health System transaction

Mr. McLaughlin informed the Members that Kennedy Health System has notified the Authority that they have completed a competitive process and selected Wells Fargo Securities to serve as their senior managing underwriter along with Bank of America Merrill Lynch as the co-senior managing underwriter. In addition, Kennedy has requested that the Authority consider the appointment of JP Morgan Securities as a co-managing underwriter on the planned public transaction.

According to Mr. McLaughlin, given the expected $175 million par amount for this public series, staff is recommending the assignment of three Co-Managers. Staff supports the Borrower's recommended appointment of JP Morgan Securities and proposes addition of NW Financial Group and Piper Jaffray to the transaction as co-managing underwriters.

Mr. McLaughlin said that each firm has been qualified by this Authority to serve in the role of co-managing underwriter, has demonstrated the ability to distribute New Jersey securities and has sufficient capital to participate in the transaction. He then recommended that the Members approval to name JP Morgan Securities, NW Financial Group and Piper Jaffray as Co-Managers on the Kennedy Health System Series 2017 transaction.

Dr. Kazmir asked for a motion to adopt the resolution appointing JP Morgan Securities, NW Financial Group and Piper Jaffray as Co-managers for the Kennedy Health System transaction.

Ms. Feehan offered the motion. Ms. Kralik seconded the motion. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. He then called for a vote. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. QQ-61

> **NOW, THERFORE, BE IT RESOLVED,** that the Authority hereby approves the appointment of JP Morgan Securities, NW Financial Group and Piper Jaffray as Co-managers for the Kennedy Health System transaction.

6. DESIGNATION OF A PUBLIC AGENCY COMPLIANCE OFFICER

Dr. Kazmir asked Marji McAvoy to provide the Members with the details of the Public Agency Compliance Officer appointment.

Ms. McAvoy reported that each year, all public agencies are required to submit the name, title, and contact information of the designated Public Agency Compliance Officer (P.A.C.O.) to the Division of Purchase and Property, Contract Compliance and Audit Unit, EEO Monitoring Program.

According to Ms. McAvoy, the individual designated to serve as the P.A.C.O. is the point of contact for all matters concerning the implementation and administration of the legal requirements of the Equal Employment Opportunity Monitoring Program. The P.A.C.O. is also responsible for administering contracting procedures pertaining to equal employment regarding both the Public Agency and its service providers, and therefore must have the authority to recommend changes to support the implementation of the statute and regulations.

Ms. McAvoy stated that, although the Authority has been compliant with the Equal Employment Opportunity Monitoring Program and has maintained the requisite evidence of the Authority's contracted vendors' compliance with the EEO regulations for many years, it has not formalized the procedure for appointing the P.A.C.O.

Ms. McAvoy then recommended the adoption of the resolution authorizing the Executive Director to appoint a Public Agency Compliance Officer to serve in this capacity on behalf of the Authority.

Dr. Kazmir asked for a motion to adopt the resolution authorizing the Executive Director to appoint a Public Agency Compliance Officer. Ms. Feehan offered the motion. Ms. Kralik seconded the motion. Dr. Kazmir asked if the Members had any questions on the motion. Ms. Kralik asked if this is a new person being hired. Mr. Hopkins replied that is was not. He stated that he was appointing Ron Marmelstein because the function already exists within his department. There were no more questions. He then called for a vote. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. QQ-62

WHEREAS, the Members of the Authority have reviewed the memorandum dated January 18, 2017 regarding the appointment of a Public Agency Compliance Officer.

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts a resolution authorizing the Executive Director to appoint a Public Agency Compliance Officer.

(attached)

7. EXECUTIVE SESSION

Dr. Kazmir asked for a motion to go into Executive Session to discuss personnel matters. Dr. Kazmir announced that the results of the discussion would be made public when the need for confidentiality no longer existed.

Ms. Feehan offered the motion. Ms. Kralik seconded the motion. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. He then called for a vote. All Members voted in the affirmative and the resolution was approved.

The Members entered into Executive Session at 10:49 am.

AB RESOLUTION NO. QQ-63

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 personnel matters;

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

Dr. Kazmir asked for a motion to exit the Executive Session. Ms. Feehan made a motion to end Executive Session, Ms. Kralik seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. The vote was unanimous and the motion carried.

The Members returned to Public Session at 10:57 am.

8. AMENDMENT OF THE AUTHORITY'S 2017 BUDGET

Dr. Kazmir asked Mark Hopkins to present the proposed 2017 Authority Budget amendment to the Members.

Mr. Hopkins presented a proposal to amend the 2017 budget by increasing Personnel Services by an amount not to exceed $22,600 as discussed in Executive Session.

Dr. Kazmir asked for a motion to adopt the resolution amending the Authority's 2017 Budget. Ms. Feehan offered the motion. Ms. Kralik seconded the motion. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. He then called for a vote. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. QQ-64

WHEREAS, the Members of the Authority have discussed the request to amend the 2017 Authority budget by increasing Personnel Services by an amount not to exceed $22,600;

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby approve amending the 2017 Authority budget by increasing Personnel Services by an amount not to exceed $22,600.

9. APPROVAL OF EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Dr. Kazmir asked for a motion to approve the bills and to authorize their payment. Ms. Feehan offered the motion. Ms. Kralik seconded the motion. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. He then called for a vote. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. QQ-65

WHEREAS, the Members of the Authority have reviewed the memoranda dated February 14, 2017 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $78,175.00 and $5,029.75 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.

10. STAFF REPORTS

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

Dr. Kazmir asked Executive Director Hopkins to present his Executive Director's report.
Mr. Hopkins presented the following to the Members:

1. Hospital & Other News

    a. Valley Hospital announced its plan to move its inpatient hospital services to a site in Paramus where it already has a satellite campus with outpatient services. Valley plans to retain its Ridgewood campus for outpatient health care services. The proposed new hospital is expected to have 372 private rooms in a 910,000 square foot facility. Valley expects to break ground on the new hospital in 2019 and open it in 2023, at an estimated cost of $735 million.

    b. On February 2nd, the State Health Planning Board voted to recommend approval of the sale of The Memorial Hospital of Salem County from Community Health Systems to Prime Healthcare Foundation. The Commissioner of Health has 120 days to act on the recommendation. In related news, Community Health Systems also announced that Jay de los Reyes has been appointed Interim CEO of The Memorial Hospital of Salem County to replace Ryan Jensen, who left to become CEO of Desert Springs Hospital in Las Vegas. Mr. de los Reyes previously worked as COO of Kosciusko Community Hospital in Warsaw, Indiana.

c. The Women’s Choice Award named Hunterdon Medical Center as one of America’s Best Hospitals for Heart Care. The recognition signifies that Hunterdon is in the top 9% of the 4,789 hospitals in the country offering heart care services.

d. St. Peter’s University Hospital was recognized as one of the best hospitals in the country for patient experience by the Women’s Choice Award, signifying that it is in the top 100 hospitals of its size.

e. St. Michael’s Medical Center has announced that it has turned a profit in its first year as part of Prime Healthcare Services, the for-profit hospital operator with over 40 hospitals around the country. Prime acquired St. Michael’s, then a subsidiary of Trinity Health, out of bankruptcy in 2016.

f. In the Supreme Court case over whether several hospital pension plans, including St. Peter’s University Hospital’s, qualify as “church plans,” five Catholic entities have filed amicus briefs supporting the church sponsored hospitals. Most pension plans are covered by ERISA, which requires certain minimum funding and reporting. However, if the plan is classified as a “church plan” it is exempt from the ERISA requirements. The lower courts, in the cases being considered by the Supreme Court, ruled that for a pension plan to qualify as a “church plan” it must be set up by the church itself, not a subsidiary thereof. The outcome is also expected to impact St. Joseph’s Health System, which also operates a pension plan as a “church plan.”

g. In ratings actions:

   i. S & P affirmed its “BB+” rating on approximately $149 million in Authority bonds outstanding on behalf of St. Peter’s University Hospital. Its outlook remains stable.

   ii. Moody’s affirms its “Baa2” rating on approximately $40 million of bonds issued by the Authority on behalf of Holy Name Medical Center. However, Moody’s revised its outlook on Holy Name from stable to negative based on weaker than the 2016 budgeted operating performance from absorbing increased expenses related to its physician employment strategy, which is expected to continue into 2017 and weakening liquidity in recent years.

h. The Hospital Alliance of New Jersey, which is the trade organization for the State’s safety net hospitals, is urging the State to continue prioritizing charity care funding for safety net hospitals in this year’s budget, citing the possible loss of funds from the expected repeal the Affordable Care Act.

i. The Council for Medicare Integrity found that New Jersey was one of the states with the highest incidence of Medicare billing errors, resulting in $22.6 million in overpayments. The errors were not fraud and were made by hospitals, not the State. Despite the high level of errors, it was an improvement over previous years.

j. In an effort to reduce the cost of State employee health benefits and improve care, a pilot program was developed to provide primary care services to State, local and school employees for free. The R-Health Direct Primary Care Program is the brainchild of State Senate President Steve Sweeney. It has a primary care practice in each Burlington, Camden and Mercer counties along with one across the river from Trenton in Pennsylvania. The practice focuses on spending more time with the patients and adds preventative care, chronic disease management, wellness coaching to traditional primary care treatment. If the program proves successful it is expected to be expanded.

k. NJ Spotlight held a roundtable to discuss out-of-network billing by healthcare providers. State Senator Joe Vitale, who has a bill pending to limit out-of-network billing, participated in the roundtable along with Linda Schwimmer from the New Jersey Health Care Quality Institute, Maura Collinsgru from Citizen Action, Evelyn Liebman from AARP, Neil Eicher from the New Jersey Hospital Association and Larry Lewis from Aetna.

l. A number of articles on how New Jersey hospitals could be affected by the repeal of the Affordable Care Act are provided today, including nearly $1.5 billion in funding paid by hospitals to support the Affordable Care Act from 2010 through 2019, according to the New Jersey Hospital Association and another $1.1 billion in funding cuts if the act is repealed without a comparable replacement.

m. Fitch warns that states may be at financial risk from the House Republican's healthcare plan released on February 16th proposing to repeal and replace the Affordable Care Act. The plan would end Medicaid expansion, which provided Medicaid to 9.1 million people around the country and reimbursed states $58.1 billion for the expansion costs in 2015. Plus the plan would change Medicaid reimbursement to either a per capita cap or block grant program, slowing the growth of federal funding and leaving it to the states to increase state funding or reduce services.

n. The Robert Wood Johnson Foundation has named Dr. Richard Besser as its next President and CEO. Dr. Besser was the former acting head of the Centers for Disease Control and Prevention and is currently the Chief Health and Medical Editor for ABC News. He will be replacing Dr. Risa Lavizzo-Mourey, who has run the foundation for 14 years, in April.

o. St. Joseph's Regional Medical Center in Paterson had the fourth highest volume of emergency room visits in the country in 2016. It was the only New Jersey hospital that ranked in the top 12 in the nation.

p. New Jersey ranked 38th in the nation for emergency room visits per 1,000 residents with 390.

q. A Kaiser State Health Facts study of information from the 2015 American Hospital Association Annual Survey shows a wide range in hospital expenses per patient per inpatient day. The average hospital expense per patient per day nationwide was $2,013 for hospitals owned by state and local governments, $2,413 for non-profit hospitals and $1,831 for for-profit hospitals. New Jersey ranked highest for state and local owned hospitals at $4,569, but was closer to the national average at $2,635 for non-profit hospitals and $1,449 for for-profit hospitals.

r. The Senate unanimously approved President Trump's pick of David Shulkin, M.D. as Secretary of Veterans Affairs on February 13th. Dr. Shulkin was formerly president of Morristown Medical Center before being selected by President Obama to become Undersecretary for Health at the VA a few years ago.

s. Other articles about national health care issues include: (i) a study from Great Britain that found patients who see the same primary care doctor consistently are less likely to be admitted to the hospital; (ii) a study funded by the American Hospital Association that shows hospital mergers can reduce costs and improve quality; (iii) investor-owned hospitals are looking to reduce debt burdens resulting from the spate of mergers and acquisitions over the last ten years; and (iv) health care providers and insurers are lobbying the new administration and Congress to continue to push Medicare towards value-based payment models instead of fee-for-service reimbursement.

t. In tax news, articles are being included today on: (i) the Governors' Association support of tax-exempt bonds; (ii) an indication that there is support in Congress for the continuation of tax-exempt bonds; and (iii) making the case for the efficiency of tax-exempt bonds.

u. In regulatory news, the MSRB plans to codify its long-time regulatory interpretation that dealers are required to apply for CUSIP numbers when conducting private placements.

Dr. Kazmir asked Mr. Hopkins to repeat the St. Joseph's Healthcare System emergency room ranking. Mr. Hopkins replied that they have the 4th largest volume in the Country. Dr. Kazmir then asked how they were doing financially. Mr. Hopkins replied that they were doing fine, but that the Supreme Court decision on the pension plans of Catholic hospitals could impact them. Dr. Kazmir asked if it was possible to check to see if hospitals are current on their pension payments. Mr. Hopkins replied that it is included with the financial statements. Mr. Troy said that the problem is that "Church plans" are not subject to ERISA and have no reporting requirements. Mr. Hopkins added that they also have no requirement to make regular payments or increase payments as needed.

As there was no further business, following a motion by Ms. Feehan and a second by Ms. Kralik, the Members voted unanimously to adjourn the meeting at 11: 11 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 FEBRUARY 23, 2017.

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Carole A. Conover, Assistant Secretary