

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on September 28, 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); Jim Foley, Designee of the Commissioner of Health; Jessica Feehan, Designee of the Department of Human Services; Maryann Kralik, Designee of the Department of Banking and Insurance and, via telephone, Suzette Rodriguez, Public Member

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

Mark Hopkins, Frank Troy, Ron Marmelstein, Carole Conover, Bill McLaughlin, Marji McAvoy, Edwin Fuentes, Taryn Rommel, Ellen Lieber, Neetu “Nikki” Thukral, John Johnson, Michael Solidum, Diane Johnson, Debra Coons, Nino McDonald and Chris Kniesler

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

Nicholas Kant, Governor’s Authorities Unit; Kevin Fiore, Ted Fiore, Eric Wolf and Drew Barile from Village Drive, LLC and, via telephone, Cliff Rones, Attorney General’s Office (joined at 10:36 am)

## **CALL TO ORDER**

Dr. Kazmir called the meeting to order at 10:30 a.m. and announced that this a regular meeting of the Authority, held in accordance with the schedule adopted at the May 25, 2017 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**

#### **August 24, 2017 Authority Meeting**

Minutes for the Authority’s August 24, 2017 Authority meeting were distributed for review and approval prior to the meeting. Dr. Kazmir asked for a motion to approve the minutes. Mr. Foley made the motion. Ms. Kralik seconded. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. Dr. Kazmir, Mr. Foley, Ms. Kralik and Ms. Rodriguez voted in the affirmative, Ms. Feehan abstained and the minutes were approved.

## **2. INFORMATIONAL PRESENTATION**

### **Village Drive, LLC**

Dr. Kazmir called on Edwin Fuentes to give the Members an Informational Presentation of the Village Drive, LLC project.

Mr. Fuentes began by introducing Kevin Fiore, Ted Fiore, Eric Wolf, and Drew Barile, the partners of Village Drive Healthcare Urban Renewal, LLC (“Village Drive.”) He then advised the Members that this presentation serves as an informational update for the proposed tax-exempt financing for Village Drive.

Mr. Fuentes informed the Members that Village Drive Healthcare Urban Renewal, LLC, is a for-profit limited liability company as well as the owner and developer of the project. The members of Village Drive are ALFNJ, LLC (the managing member), CDP Millville, LLC and Shelter American Holdings Inc. The management team for Village Drive has worked on several other assisted living facilities including a \$19.4 million financing with the Industrial Development Authority of the City of Phoenix, Arizona and a \$22.35 million financing with the Housing and Redevelopment Authority in and for the City of St. Cloud, Minnesota. AHP Housing Fund, a subsidiary of Berkshire Hathaway Inc., is the company’s limited partner on the transaction.

According to Mr. Fuentes, Village Drive has requested that the Authority issue bonds to be sold through an unrated negotiated public offering in order to provide the funds necessary to renovate an existing private room hotel, located on a 6 acre site in Millville, Cumberland County, New Jersey. The proceeds of the transaction will be used to: the renovate and construct new, additional units - bringing the total to 154; construct an administrative and patient activity area; reimburse Village Drive for certain prior expenses; fund capitalized interest; fund a Debt Service Reserve to the extent needed; and pay the related costs of issuance. The bond issue is expected to be approximately \$23 million.

Mr. Fuentes said that, tax-exempt financing is available as a result of Village Drive’s agreement to qualify its facility as a residential rental project under Section 142(d) of the Internal Revenue Code, which requires that a certain number of its units will be rented to low and moderate income individuals and families. The target audience will be senior citizens and 90% or more will be funded through Medicaid and supplemental social security income. In addition, the bonds issued require an allocation of a portion of the State’s Volume Cap, which has been received from the Treasurer.

Mr. Fuentes stated that, management projections are being generated and he will present them to the Board at a future meeting.

The Underwriter for this transaction is Piper Jaffray and Co. Mr. John Draikiwicz from Gibbons PC is the assigned bond counsel on the transaction.

Mr. Fuentes concluded his presentation by reminding the Members that no action was required by them. He then introduced Ted Fiore to give a short presentation on the project after which, he and the Village Drive management team would answer any questions from the Members.

Mr. Fiore gave a brief overview of the project and an anticipated timeline. He also provided a status report on the permit and license approvals required.

Dr. Kazmir asked if the Members had any questions. There were no questions.

### **3. APPROVAL OF MEMORANDUM OF AGREEMENT WITH THE DEPARTMENT OF HEALTH FOR ARCHITECTURAL REVIEW SERVICES**

Dr. Kazmir called on Executive Director Mark Hopkins to explain the architectural review agreement to the Members.

Mr. Hopkins told the Members that, since 1997, the New Jersey Health Care Facilities Financing Authority (the "Authority") has provided Architectural Review Services to the Department of Health (DOH) with the latest renewal occurring in August 2016, when a new Memorandum of Agreement was executed. Under that Memorandum of Agreement, the Authority's Construction Compliance Officer provides the following:

- Conducts reviews of construction and renovation projects submitted by health care facilities to determine compliance with physical plant standards, patient flow issues, and licensing requirements (including compliance with the American Institute of Architect's Guidelines).
- Reviews and processes requests for waivers from licensing requirements submitted by health care facilities and provides recommendations with associated rationale in cases where it was determined that waivers are warranted.
- Participates as a team member in functional review meetings held at the Department's office.

According to Mr. Hopkins, the Memorandum of Agreement expired on June 30, 2017. He stated that the Members received the Renewal Agreement in their meeting packets. The proposed Renewal Agreement is essentially the same as the previous Memorandum of Agreement. Under the Renewal Agreement, the Authority's Construction Compliance Officer spends up to two business days (14 hours) per week performing the above-mentioned services for the Department of Health. The DOH reimburses the Authority for a commensurate amount of the Construction Compliance Officer's salary, benefits and other related costs incurred by the Authority. The form of the Renewal Agreement is similar to that of our arrangement with the DOH for collection and review of financial data. The Renewal Agreement would be effective for the period July 1, 2017 through August 15, 2018 and specifies the amount that the DOH will reimburse the Authority. It is important to note that at the request of the DOH, under this Renewal Agreement, the services of the Authority's Construction Compliance Officer are

contracted through June 30, 2018, rather than the August 15, 2018 expiration date. The difference in the time period will allow the Department of Health to make quarterly reimbursements to the Authority no later than 45 days after the close of each quarter. The Memorandum of Agreement would expire when the last deliverable is due.

Mr. Hopkins stated that the Office of the Attorney General has no objection to the Members' consideration of this Renewal Agreement. Therefore, staff is asking for approval of the Renewal Agreement.

Mr. Hopkins then offered to answer any questions the Members might have. There were no questions. Mr. Hopkins stated the Mr. Foley would recuse himself from voting on this resolution.

Dr. Kazmir asked for a motion to approve the Memorandum of Agreement with the Department of Health for Architectural Review Services. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. Ms. Kralik offered the motion. Ms. Feehan seconded. Dr. Kazmir, Ms. Kralik, Ms. Feehan and Ms. Rodriguez voted in the affirmative and the motion passed.

#### **AB RESOLUTION NO. RR-16**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby authorizes the approval of the Memorandum of Agreement with the Department of Health, Division of Health Facilities Evaluation and Licensing for Architectural Review Services

#### **4. 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 expenses. Mr. Foley offered a motion to approve the bills and to authorize their payment. Ms. Feehan seconded the motion. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. All Members voted in the affirmative and the motion carried.

## AB RESOLUTION NO. RR-17

**WHEREAS**, the Members of the Authority have reviewed the memoranda dated September 20, 2017 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$52,842.00 and \$1,452.74 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.

### 5. STAFF REPORTS

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

Dr. Kazmir asked Executive Director Hopkins to present his Executive Director's report.

Mr. Hopkins reported that:

1. It has been announced that Commissioner Bennett will leave the Department of Health and become the next President and CEO of the New Jersey Hospital Association. Commissioner Bennett is planning to start in her new position on November 9. Current NJHA President and CEO, Betsy Ryan, announced her retirement earlier this year and will be staying through October 31 after leading the organization since 2008. We at the Authority will miss Commissioner Bennett. She has been a great health care advocate since being appointed in 2015 and in her various other leadership positions at the Department since 2010.
2. Members of the Finance Committee, Dr. Kazmir and Ms. Rodriguez, are reminded that there will be a Finance Committee meeting here on Tuesday, October 10 at 10:00 a.m. to discuss the staff's draft of the Authority's 2018 budget. Other Authority Members are welcome to attend.
3. The Department of Health is in the midst of hosting 25 town-hall style meetings to discuss the integration of the Division of Mental Health and Addiction Services from the Department of Human Services to the Department of Health. The proposed move is an effort to improve efficiency and coordination and better integrate behavioral and physical health care services. The town-halls are being held in all of the State's 21 counties and will be held at each of the State-owned psychiatric hospitals. More information may be obtained by contacting the Department at [integratedhealth@doh.nj.gov](mailto:integratedhealth@doh.nj.gov).

4. Jeremy Spector retired as Executive Director of the New Jersey Educational Facilities Authority at the end of August. He started in November of 2015 after serving 28 years as a public finance tax attorney. Sheryl Stitt will be acting Executive Director until a permanent successor is hired.
5. Hospital & Other News
  - a. Earlier this month Kennedy Health completed its merger with Thomas Jefferson University. The combined entity now includes 12 hospitals including Kennedy's three in New Jersey and Jefferson's nine in eastern Pennsylvania.
  - b. Cooper University Health announced its plan to acquire Our Lady of Lourdes Medical Center in Camden, Lourdes Medical Center of Burlington County in Willingboro and St. Francis Medical Center in Trenton from Trinity Health. The acquisition, which will create New Jersey's fourth largest health system, is subject to regulatory review.
  - c. St. Luke's Health Network, which owns St. Luke's Warren in Phillipsburg, New Jersey and numerous hospitals in eastern Pennsylvania, announced it would be merging with Blue Mountain Health System, which operates two hospitals in Carbon County, Pennsylvania, and Sacred Heart Hospital in Allentown, Pennsylvania.
  - d. Virtua Memorial Hospital of Burlington County in Mount Holy has received its Certificate of Need to build a replacement hospital about three miles away in Westhampton.
  - e. Chilton Medical Center, part of the Atlantic Health System, has settled with its host municipality, Pequannock, to pay a community service contribution in lieu of taxes of \$262,500 annually through 2021. It will also pay \$525,000 for 2016 and 2017. The settlement is one of several dozen cases of municipalities seeking property taxes or community service contributions from nonprofit hospitals as a result of a 2015 case that found Morristown Medical Center was not entirely exempt from property taxes due to the high level of usage of the hospital by for-profit entities.
  - f. Brian Gragnolati, CEO of Atlantic Health System, discussed his role as chairman of the American Hospital Association, effective in 2019, with NJBiz.
  - g. CarePoint Health has reached an agreement with Horizon Blue Cross Blue Shield of New Jersey to return to in-network status with Horizon, the largest insurer in New Jersey. CarePoint operates Bayonne Medical Center, Christ Hospital and Hoboken University Medical Center.
  - h. Saint Barnabas Medical Center, part of RWJBarnabas Health, has built a five-story 241,000 square foot addition for the Cooperman Family Pavilion for

patients and their families. The \$200 million project houses 114 private rooms and a 56-bassinet neonatal intensive care unit.

- i. The Beth Greenhouse and Farmers Market of Newark Beth Israel Medical Center, part of RWJBarnabas Health, has agreed to accept payment from electronic benefits cards from the federal Supplemental Nutrition Assistance Program that provides food for people on welfare. There has been a recent focus on providing people on assistance with more fresh and nutritious foods.
- j. Trinitas finished its emergency department renovations partially financed by the Authority. The \$18.7 million upgrade increases the number of beds from 27 to 45, has a 128-slice CT scanner and provides specialty services in treating the elderly, families and behavioral health patients. It has been named in honor of Trinitas President Gary Horan.
- k. In ratings actions:
  - i. Moody's has affirmed that "Baa1" rating of approximately \$38 million in bonds issued by the Authority on behalf of CentraState Medical Center. The outlook remains stable.
- l. Health insurance coverage continued to expand throughout the country in 2016 but growth appears to be slowing in some states. An additional 2.5 million people were covered in 2016 compared to the previous year; only 8.6% of the population remained uninsured. The growth is largely attributable to the Affordable Care Act. In New Jersey, only 8% of the population remains uninsured or 705,000 people. The 31 states that adopted Medicaid expansion average 6.5% uninsured, while the 19 states that did not adopt it have an average of 11.7% uninsured. Early research is also showing that the efforts to repeal and replace the ACA may be discouraging new enrollees in 2017 and are adding to the already increased premiums.
- m. New Jersey is taking a number of steps to increase the number of doctors practicing in the State, including new medical schools and residency programs, tuition reimbursement for serving in underserved areas and eligibility for unemployment benefits for graduate medical students if laid off from an internship.
- n. The New Jersey Innovation Institute received a \$2.9 million grant to develop a patient identification database called a "Master Person Index." The goal is to compile a health history for every person in the State with a unique identifier. This will allow all providers treating any patient in New Jersey to quick and easy but secure access to a patient's complete medical history.
- o. A number of articles are being provided today that discuss challenges faced by Federally Qualified Health Centers, including a 70% lapse in federal funding

scheduled to occur on October 1 unless some action to prevent it is taken by Congress.

- p. Fitch and S & P each released their 2016 medians for the U.S. not-for-profit hospitals and health care systems. Most medians are unfavorable compared to 2015 medians, including operating margin, cash on hand and EBIDA.
- q. Janney's Muni Monthly for September highlights nonprofit healthcare in New Jersey, including a breakdown of consolidations.
- r. A third round attempt to repeal and replace the Affordable Care Act with the Cassidy-Graham Bill failed on Tuesday. Senator Mitch McConnell announced he would not put the bill up for a vote after Republican Senators Collins, McCain and Paul said they would not vote for the bill, making its passage impossible because no Democratic Senator supported the bill. After Saturday, according to Senate rules, any attempt to repeal and replace the Affordable Care Act cannot be done by reconciliation, which avoids a threat of a filibuster by the Democrats. After Saturday, any substantive action on the Affordable Care Act would effectively require 60 votes. Still to be considered is whether the federal government will continue the subsidies that reduce premiums for insurance purchased on the Affordable Care Acts Health Insurance Exchange website, which was part of a bipartisan bill proposed by Senators Alexander and Murray but put on the back burner by the Cassidy-Graham bill. A September 21 article from NJ Spotlight is being provided today that discusses the negative effect the Cassidy-Graham bill would have had on New Jersey if it had passed.
- s. Other articles about national health care issues include:
  - i. Fitch reports that CMS's recent announcement that it will cancel or scale back bundled payments for things like cardiac services or joint replacements will have a mixed effect on health care providers.
  - ii. Fitch may be amending its rating criteria for nonprofit hospitals.
  - iii. The CBO reports that Medicare spending rose only 3% during the first 11 months of this year. That is significantly down from the average annual growth rate of 9% from 2000 to 2010 and slightly less than the 4.4% average annual growth rate from 2010 through 2016.
  - iv. CMS is reporting that 2,573 hospitals will face reimbursement cuts for readmissions in 2018, nearly as many as in 2017. This may indicate that the readmission level drop is slowing.
  - v. A report in JAMA Internal Medicine indicates that primary appointment availability for Medicaid patients increased after implementation of the Affordable Care Act, without a decline in availability for privately insured



patients. This is contrary to many predictions that Medicaid expansion would cause a physician shortage.

- vi. CMS reports that Medicare telehealth spending rose 28% from \$22.4 million in 2015 to \$28.7 million in 2016. Telehealth encounters increased from 372,518 to 496,396, or 33%.
- vii. Hospitals providing “meds-to-beds” programs have shown success in preventing some readmissions. Under the program hospitals, provide prescriptions directly to patients upon their discharge, which saves the patient from having to make a special trip to the drug store, which is a benefit especially for patients that have limited mobility.
- viii. It has long been thought that a significant number of emergency visits were avoidable. A recent study in the International Journal for Quality in Health Care suggests that only 3.3% of emergency room visits are avoidable.
- ix. According to Altarum’s Center for Sustainable Health Spending hospital spending in June was at the lowest year over year monthly rate in more than 25 years at a growth rate of only 0.8%.
- x. Nevertheless, the overall health care industry added 20,200 jobs of the total 156,000 jobs added in August, with hospitals contributing 6,400 jobs.
- xi. A survey by HealthMine shows 56% of Medicare beneficiaries are unaware whether Medicare pays for telehealth (it does). Efforts are underway in Congress to expand telemedicine availability and to ensure the elderly are aware of it.
- xii. CMS is seeking to claw back about \$51.6 million in Medicare payments for outpatient services for patients that were still inpatients at other facilities.
- xiii. CMS is planning to set a new direction for the Center for Medicare and Medicaid Innovation. It is speculated that the Trump administration wants to move away from alternative payment models that have been viewed as to restrictive on providers but not necessarily shift away from value-based payment models in general.
- xiv. The evolution of health care is changing the role of hospitals and their leaders. More hospitals and hospital leaders are pursuing partnerships and joint ventures to improve the health of their community, control costs and improve outcomes. Accountable Care Organizations and other partnerships along the continuum of health care services are growing. There is also more focus on resources available in the community such as

affordable housing, nutritious food and availability of recreation and exercise facilities.

- xv. The American Hospital Association's Executive Vice President for Governmental Relations and Public Policy has written a letter to Congress outlining 40 recommendations on how the federal government can ease the regulatory burden on hospitals.
  - xvi. More doctors are taking locum tenens, i.e. freelance, positions at hospitals rather than opening their own practices or becoming employed full time in practices or hospitals. Since 2002, the number of freelance doctors has nearly doubled to 48,000. These doctors see advantages of not having to wait for insurance reimbursements, having a flexible schedule and being able to choose where they will work.
  - xvii. Anthem has announced as of March of 2018 it will no longer pay for MRIs and CT scans performed at a hospital on an outpatient basis, citing the lower costs of freestanding imaging centers. Modern Healthcare reports that Anthem's new policy will be a major hit to hospitals' bottom line. Hospitals tend to be more expensive because they are required to have certain medical and professional staff on hand and are required to provide services to indigent and Medicaid patients.
  - xviii. An opinion piece is included today from the Washington Examiner alleging that nonprofit hospitals are ignoring the needy while still benefiting from tax-exemption.
  - xix. Several other articles are included on the effect of hospital mergers and acquisitions as well as the effect of concentrated insurer markets
  - xx. Atlantic Health System is cited as one of the ten hospital systems in the nation with strong finances by Becker's Hospital Review. AHS is rated Aa3 by Moody's and AA- by Standard & Poor's.
- t. In legal, regulatory and municipal bond news, articles are being provided on:
- i. The Wisconsin legislature is considering extending the powers of the controversial Public Finance Authority, which is authorized by Wisconsin to issue tax-exempt bonds in all states. The PFA, which was created in 2010 by the Wisconsin legislature at the behest of the National Association of Counties, the Wisconsin Counties Association and the League of Wisconsin Municipalities, is seeking eminent domain powers in order to make it fit within the IRS definition of a governmental entity able to issue tax-exempt bonds. The staff of the PFA is made up of members and employees of a California financial advisory firm. The PFA has issued more than 450 bonds in an amount in excess of \$4 billion since

2010. At least one of its issues has defaulted and it is known as an issuer of last resort, issuing bonds where other bond issuing authorities would not.

- ii. The Trump administration announced its tax plan yesterday. It appears that the plan maintains the exemption for tax-exempt bonds but lowers the highest tax rate from 39.6% to 35%. Contradicting earlier articles from Bloomberg and The Bond Buyer speculated that the tax break for municipal bonds “looked safe” and municipal tax exemption was “at risk again,” respectively.
- iii. The Municipal Securities Rulemaking Board made several announcements this month: (a) it has published a primer on the role of municipal bonds in financing infrastructure; (b) it has warned bond issuers to not be selective on their disclosure, making sure all bondholders and potential bondholders have access to the same information; (c) it has launched a new EMMA feature that provides market-wide trading statistics; and (d) it has filed its CUSIP rule change with the Securities and Exchange Commission, codifying its interpretation that dealers are required to obtain CUSIPs for new issue securities sold in private placement transactions.
- iv. The Securities and Exchange Commission has charged a municipal advisory firm with violating its fiduciary duty to a municipal bond issuer.
- v. The Bond Buyer published a commentary on replacing the London Interbank Offered Rate, or LIBOR, as a benchmark index by the end of 2021. The commenter suggests LIBOR be replaced by BondWaves QCurves, which uses “a consistent quantitative methodology based on publicly available municipal trade data from the MSRB. This would eliminate the subjective estimations and manipulation that brought on the downfall of LIBOR.

## **6. EXECUTIVE SESSION**

Dr. Kazmir asked for a motion to go into Executive Session to discuss contractual negotiations with respect to a \$2 million loan request from the Lakewood Resource and Referral Center’s federally qualified health center known as CHEMED. Dr. Kazmir announced that the results of the discussion would be made public when the need for confidentiality no longer existed.

Mr. Foley offered the motion. Ms. Feehan 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 11:10 am.

**AB RESOLUTION NO. RR-18**

**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 contractual negotiations with respect to a \$2 million loan request from the Lakewood Resource and Referral Center's federally qualified health center known as CHEMED;

**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 returned to Public Session at 11:23 am.

As there was no further business, following a motion by Mr. Foley and a second by Ms. Kralik, the Members voted unanimously to adjourn the meeting at 11:26 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 28, 2017.

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Carole A. Conover, Assistant Secretary