Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on October 26, 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); Alison Gibson, Designee of the Commissioner of Health; Jessica Feehan, Designee of the Department of Human Services; Insurance and Suzette Rodriguez, Public Member

The following ***Authority staff members*** *were in attendance:*
Mark Hopkins, Frank Troy, Ron Marmelstein, Carole Conover, Marji McAvoy, Edwin Fuentes, Taryn Rommel, Jessica Lucas, Ellen Lieber, Neetu "Nikki" Thukral, John Johnson, Michael Solidum, Diane Johnson, Debra Coons and Chris Kniesler

The following ***representatives from the State and/or the public*** *were in attendance:*
Cliff Rones, Attorney General's Office; Nicholas Kant, Governor's Authorities Unit; Mark Salimena, Optimal Capital Group, LLC; John Dellocon, CentraState Medical Center; Bill Mayer, Decotiis, Fitzpatrick, Cole & Giblin LLP; Dr. David Friedman, Chief Executive Officer and Josh Fogel, Chief Financial Officer, Miri Dorfman, Controller and Yaakov Schwartz, Project Manager, Lakewood Resource and Referral Center, Inc.; Chuck Stafford, Ponder & Co.; Michael Albanese, TD Bank

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:03 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
September 28, 2017 Authority Meeting

Minutes for the Authority's September 28, 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. Rodriguez seconded. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. Dr. Kazmir called for a vote. Dr. Kazmir, Ms. Feehan and Ms. Rodriguez voted in the affirmative. Ms. Gibson abstained and the minutes were approved.

2. **APPOINTMENT OF A PROGRAM ADMINISTRATOR FOR THE CAPITAL ASSET PROGRAM**
   <u>Optimal Capital Group, LLC</u>

Dr. Kazmir called on Jessica Lucas to give the staff's recommendation for the Administrator of the Capital Asset Program to the Members.

Ms. Lucas began by introducing Mark Salimena, Managing Director of Optimal Capital Group.

Ms. Lucas reported that the Authority issued a Request for Proposal (RFP) for the Capital Asset Program Administrator. The RFPs were distributed on September 27, 2017, after advertisements were placed in *The Bond Buyer*, *Star Ledger*, *Courier Post*, as well as being posted on the Authority's website and the State of New Jersey's website. Two firms requested the RFP and the Authority received one response before the October 10, 2017 deadline. That response was from Optimal Capital Group, LLC.

According to Ms. Lucas, Optimal Capital Group, with three professionals assigned to the Authority, is able to provide the Authority with a high level of service because of their experienced staff and other resources. Mark Salimena, Managing Director of Optimal Capital Group, will serve as the primary day-to-day contact and advisor for the Authority. Prior to joining Optimal Capital Group in 2009, Mr. Salimena gained extensive experience as a financial advisor, swap advisor, and investment advisor. From 1997 through 2004, he worked for Fairmount Capital Advisors. In that position, Mr. Salimena was the lead contact and provided all necessary services to the Authority as Program Administrator. He developed an investment strategy using guaranteed investment contracts to maximize yield and create a bar-belled laddered securities structure. Mr. Salimena worked with staff to give the Authority the ability to value the level of reserves needed and create an active management style that offered lower yields to the borrowers. Throughout the course of the change in credit enhancement in late 2016 and early 2017, Mark Salimena assisted the Authority in the preparation and circulation of remarketing circulars, as well as, obtaining new credit ratings on the Bonds.

Ms. Lucas informed the Members that Optimal Capital has proposed a fee, on an annual basis, of $12,000 and would not ask or expect to be reimbursed for travel expenses and other business expenses reasonably incurred by the firm in the performance of services.

Ms. Lucas said the staff's recommendation is that Optimal Capital Group, LLC be appointed program administrator for the next three years with the possibility of extending their contract for two additional one-year periods.

Ms. Lucas concluded by stating that she or Mr. Salimena would answer any questions the Members may have.

Dr. Kazmir asked for a motion to approve the appointing of Optimal Capital Group, LLC as the Program Administrator for the Capital Asset Program. Ms. Gibson offered the motion. Ms. Feehan seconded. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. Dr. Kazmir called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. RR-19

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves a resolution authorizing the awarding of the contract for the Program Administrator of the Capital Asset Program to Optimal Capital Group, LLC for a three year period with the possibility of two additional one-year extensions.

3. EXTENSION OF MATURITY OF CAPITAL ASSET LOAN
<u>CentraState Medical Center</u>

Dr. Kazmir asked Jessica Lucas to present the reasons for the extension request to the Members.

Ms. Lucas informed the Members that, in November 2010, CentraState Medical Center, Inc. ("CentraState") received a loan of $10,000,000 through the Hospital Capital Asset Financing Program Series 1985. The funds were used to finance the relocation and expansion of the Radiation Oncology Department, purchase a linear accelerator, pay costs of issuance, and pay a portion of the capitalized interest during the twelve-month construction period.

Ms. Lucas reported that the outstanding amount of the loan is $3,160,518.73.

According to Ms. Lucas, CentraState has requested an extension of the term of the loan from December 1, 2017, until December 1, 2020. The initial loan term was based upon the average useful life of the equipment and project financed. The loan allowed for a seven-year loan with a ten-year amortization. Additionally, the loan could be extended for an additional three years after the fourth year of the loan. The existing promissory note obligates CentraState to pay a balloon principal payment of approximately $3,083,000. The extension, however, will result in level principal payments for the remaining duration of the loan.

Ms. Lucas stated that TD Bank, National Association, credit provider to the Capital Asset Program has issued its commitment to allow the extension. In addition, it is the opinion of Bond Counsel, Decotiis, Fitzpatrick, Cole, & Giblin LLP, that the consent of the extension will not adversely affect the loan, is not contrary to any of the provisions of the IRS or regulations and will not affect the tax-exempt status of the loan.

Ms. Lucas concluded by saying that the Attorney General's office has reviewed the documents and has indicated no objection to the Members' approval of the extension.

Ms. Lucas then said that she, John Dellocono, Bob Nyman or Bill Mayer would be happy to answer any questions the Members may have.

Dr. Kazmir asked for a motion to approve the Extension of Maturity of the Capital Asset Loan for CentraState Medical Center. Ms. Gibson offered the motion. Ms. Rodriguez seconded. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. Dr. Kazmir called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. RR-20

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a resolution authorizing an Extension of Maturity of the Capital Asset Loan for CentraState Medical Center.

(attached)

4. FQHC LOAN APPROVAL
<u>Lakewood Resource & Referral Center d/b/a CHEMED</u>

Dr. Kazmir called upon Taryn Rommell to inform the members about CHEMED's FQHC loan request.

Ms. Rommell began by introducing CEO Dr. Friedman, CFO Josh Fogel and Project Manager Yaakov Schwartz from Lakewood Resource & Referral Center Inc.

Ms. Rommell reminded the Members that, in December 2014, the Federally Qualified Healthcare Center (FQHC) Loan Program was expanded to include existing FQHCs. The Authority received an application under this expanded program from Lakewood Resource & Referral Center Inc. (doing business as the "Center for Health Education, Medicine and Dentistry", known as CHEMED) some months ago and has been in the process of due diligence until recently. Ms. Rommell pointed out that the nature of any loan to an FQHC involves more of a risk than the other types of lending we do here at the Authority. However, the Authority staff believes these riskier FQHC loans are an important aspect of fulfilling the Authority's mission to provide New Jersey health care organizations with access to low-cost capital.

According to Ms. Rommell, the financial data shows that CHEMED is no different from other FQHCs in New Jersey. After a thorough review of historical and projected financial information as well as an on-site meeting with key CHEMED staff, the Authority's staff is comfortable seeking the Board's approval for this loan. CHEMED previously took advantage of the Authority's original FQHC Loan Program for startup FQHC's in 2010 and the expanded FQHC Loan Program in 2015. CHEMED has consistently paid timely and has developed a very good relationship with the Authority. The original 2010 loan was paid-off in February 2017 as intended.

Ms. Rommell told the Members that CHEMED provides comprehensive adult and pediatric primary care, behavioral health, and dental services at two locations in Lakewood with a third site set to open in mid-2019. CHEMED is requesting the Member's consideration of a loan in the amount of $2 million to refinance a portion of their outstanding indebtedness and providing a small portion of funding for the new site. The loan would be for a term of 10 years at a variable interest rate equivalent to the prior monthly New Jersey Cash Management rate plus 200 basis points. The loan would be secured by payments made by CHEMED under a Loan Agreement, evidenced and secured by a Note issued at the time of closing. In addition, the Authority will be granted a security interest in CHEMED's accounts receivable. CHEMED will also be responsible for a 75 basis point annual fee based on the outstanding balance of the loan payable to the Authority with the first fee payable to the Authority at closing. The Loan and Security Agreement and Promissory note included in the meeting packets are in substantially final form.

Ms. Rommell then introduced Dr. Friedman for a power point presentation on CHEMED.

Dr. Friedman thanked the Members for their continued support and noted that this was the third time CHEMED was appearing before them.

Dr. Friedman presented a comprehensive statistical overview of CHEMED's activities since they opened as well as the current year's data. According to Dr. Friedman, CHEMED is committed to serving the uninsured and underinsured in Lakewood and the adjacent communities. Currently 82% of their clients have minimal or no insurance. So far this year, CHEMED has had over 110,000 visits to their facilities and they are on pace to surpass their projections. In addition, CHEMED has seen 31,000 unique patients.

Dr. Friedman informed the Members that, due to volume, CHEMED is planning to build a new facility in the southern part of Lakewood, near the Toms River border. He also mentioned that RWJBarnabas has given them a grant to assist in the project.

At this point, Mr. Hopkins asked Dr. Friedman to explain CHEMED's relationship with RWJBarnabas. Mr. Rones also asked about the grant.

Dr. Friedman responded that the grant was strictly that, a grant with no further obligations. Regarding the partnership, Dr. Friedman stated that RWJBarnabas has an arms-length agreement with CHEMED to utilize RWJBarnabas specialists, when needed, at an hourly rate.

Mr. Rones asked if RWJBarnabas has any opportunity to profit from this arrangement.

Dr. Friedman replied that, through this arrangement, RWJBarnabas mat have the opportunity to expand their primary care base as well as increase their services to the uninsured and underinsured populations.

Mr. Hopkins concluded the line of questions by stating that the Authority had to ensure that no conflict of interest existed for one of the Authority Members.

Dr. Kazmir thanked Dr. Friedman. He then asked Frank Troy to present CHEMED's financial projections.

Mr. Troy began by informing the Members that CHEMED is one of 22 Federally Qualified Health Centers (or FQHCs) in New Jersey. Since 2008, CHEMED has been providing primary care and social services in Lakewood and surrounding areas with patient volumes increasing significantly year after year.

According to Mr. Troy, CHEMED has a long history with the Authority with a $2 million 2010 direct loan repaid in full and a $1.5 million direct loan extended in 2015. In recent years, management has systematically reduced both the amount and cost of long-term debt. The proposed $2 million direct loan under consideration today would assist in that effort by refinancing a higher cost loan from a commercial bank.

Mr. Troy stated that CHEMED's management provided projected volumes and financial statements for the years 2018 through 2020. Mr. Troy also noted that, when discussing CHEMED, the Members should remember that FQHCs are very different from the hospital systems that typically present to the Authority, for example:

- Medicaid can account for 70 to 80% of FQHC revenue. For most hospitals in New Jersey, this is less than 20.
- Median FQHC days cash on hand is significantly lower than that of hospitals: 27 for FQHCs at March 31, 2017 compared to 143 for hospitals.
- Operating margins are typically lower for FQHCs: 0.6% for FQHCs for the quarter ended March 31, 2017 compared to 4% for hospitals. Nine of the 20 FQHCs reporting Early Warning Statistics that quarter had a negative operating margin.

Mr. Troy said that, given CHEMED's historical results and significant growth in patient volume, the Authority staff views CHEMED's projections as reasonable and in some respects, conservative. The Statements of Operations and Ratio Analysis provide in the meeting material reflect the following assumptions:

- A 3% increase in patient visits during the forecast period. Volumes have increased an average of 14% in the last five years.
- Management has conservatively assumed no increase in payor rates in their projections.
- Management has assumed 3% expense inflation during the forecast period, higher than the New York-New Jersey Consumer Price Index as well as the average of the New Jersey / Philadelphia indexes.
- Management forecasts operating margin percentages of 1.83, 1.94 and 2.05 for 2018 through 2020, respectively.
- The projected debt service coverage ratios for the forecast period are 1.21, 1.26 and 1.31, well above the required ratio of 1.10.

Mr. Troy reminded the Members that the Authority assists the New Jersey Department of Health with its quarterly FQHC Early Warning System. He then directed the Members' attention to a one-page handout that showed CHEMED's operating margin percentage is typically above the state median.

In conclusion, Mr. Troy said that the projections suggest CHEMED will have adequate profitability to generate sufficient funds to meet its debt service obligations. He then turned the meeting back over to Ms. Rommell to present the Resolution.

Ms. Rommell read the following resolution to the members:

Lakewood Resource and Referral Center, Inc. (the "Borrower"), a "health care organization", as defined in the Act, duly incorporated and subsisting under the laws of the State of New Jersey, has requested the assistance of the Authority in financing a project (the "Project") consisting of the refinancing of a portion of the Borrower's existing debt and providing a small portion of funding for the new site; in order to finance the Project the Authority intends to make a loan to the Borrower in the amount of $2,000,000 (the "Loan") and shall enter into a Loan Agreement (the "Loan Agreement") with the Borrower, pursuant to which the Authority will loan the proceeds of the Loan to the Borrower, which Loan shall be evidenced by a note executed by Borrower (the "Note"); and as security for the Loan, the Authority will receive a security interest in all of Borrower's accounts receivable.

With this Resolution, the Authority hereby declares the financing of the Project, through the making of the Loan, to be an authorized undertaking of the Authority. The Authority hereby authorizes and directs its officers to execute and deliver all documents necessary to enable the Authority, as permitted by the Act, to lend the Borrower funds representing the proceeds of the Loan to finance the Project.

The Authority hereby authorizes the Loan to the Borrower in the principal amount of $2,000,000 and the proceeds of which are to be used to finance the Project.

The Loan shall bear interest at a variable rate, adjusted monthly, and calculated computed using the rate on the New Jersey Cash Management Fund as of the first business day of the month, for which the calculation is made, plus 2% and applied to the outstanding balance of the Loan plus any interest accrued to that point, for the number of days the Loan is outstanding. The "New Jersey Cash Management Fund" means that certain common trust fund known as the State of New Jersey-New Jersey Cash Management Fund, established by the New Jersey Division of Investment pursuant to N.J.S.A. 52-18A-90.4. The outstanding principal amount of the Note shall be due in one hundred nineteen (119) equal monthly installments of $16,666.70 plus any accrued interest and fees (if applicable) will be due commencing on December 1, 2017. With a final principal payment of $16,662.70 due on November 1, 2027 plus any accrued interest and fees (if applicable).

The forms of Note and the Loan Agreement presented at this meeting (a copy of each of which shall be filed with the records of the Authority) are hereby approved and the Chairman, Vice Chairman or Executive Director is hereby authorized and directed to execute, acknowledge and deliver, and the Secretary or Assistant Secretary is hereby authorized and directed to affix and attest the seal of the Authority to the Loan Agreement and to accept delivery of the Note by Borrower, each document in substantially such form, with such changes therein as counsel may advise and the Authorized Officers executing the same may approve, such approval to be evidenced by their execution thereof.

The Authorized Officers of the Authority are hereby authorized and directed to execute and deliver such documents, and to take such other action as may be necessary or appropriate in order (i) to effectuate the execution and delivery of the Loan Agreement, and (ii) to execute and deliver any other documents, as may be necessary to effectuate the purposes of the Loan.

Ms. Rommell concluded by saying that she, Mr. Troy, Dr. Friedman and Mr. Fogel would answer any questions that the Members may have.

Dr. Kazmir asked for a motion to approve an FQHC loan to Lakewood Resource and Referral Services d/b/a CHEMED. Ms. Gibson offered the motion. Ms. Rodriguez seconded. Dr. Kazmir asked if the Members had any questions on the motion.

Dr. Kazmir asked Dr. Friedman to repeat how many visits they have per year and how many are Medicare patients. Dr. Friedman replied that CHEMED has 110,000 visits this.

Dr. Kazmir asked about the payment per visit. Dr. Friedman stated that with the Medicare patients, including the wrap-around payments, it is approximately $147 per visit. With the other payors, it was around $110 per visit in 2016.

Dr. Kazmir called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. RR-21

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Loan Resolution entitled, **"A RESOLUTION AUTHORIZING A LOAN OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORTY TO LAKEWOOD RESOURCE & REFERRAL CENTER, INC."**

(attached)

5. APPROVAL TO ISSUE AN RFP FOR A CONSULTANT TO ASSESS THE STATE PSYCHIATRIC HOSPITALS

Dr. Kazmir called upon Mark Hopkins to present a request to issue a Request for Proposal (RFP.)

Mr. Hopkins began by informing the Members that Authority and the Department of Health are concerned with the safe, efficient and effective delivery of psychiatric services at the State's four psychiatric hospitals: Ancora Psychiatric Hospital, Greystone Park Psychiatric Hospital, Trenton Psychiatric Hospital, and Ann Klein Forensic Center. The Department of Health recently assumed responsibility for these hospitals as part of the transfer of the Division of Mental Health and Addiction Services from the Department of Human Services to the Department of Health. According to Mr. Hopkins, the Authority has bonds outstanding for one of these State psychiatric facilities. For these reasons, the Authority and the Department of Health would like to engage a health care management-consulting firm to perform an organizational review and assessment of the State's psychiatric hospitals.

Mr. Hopkins said that the firm selected will be asked to assess oversight, management, operations, staffing, risk management, policies and procedures, limited physical plant issues, as well as clinical, medical and nursing affairs of each hospital. Specifically, the Consultant shall address areas including, but not limited to accountable patient care; the adequacy and appropriateness of hospital organizational structure; employee recruitment, retention and training; workplace safety; governance; delivery of patient care and treatment; and discharge practices and planning. The Consultant shall also provide recommendations for enhancing cultural wellness in each facility. The report will be presented to the Commissioner of the Department of Health and the Executive Director of the Authority no later than March 1, 2018.

Mr. Hopkins stated that, to complete the report as quickly as possible, the Authority has been asked to initiate a Request for Proposal ("RFP") process for the selection of the management consultant. The Department of Health, in consultation with the Executive Director of the Authority, has prepared the substantially final RFP as well as Standard Terms and Conditions that will apply to the engagement and which has been distributed to the Authority Members prior to this meeting. If approved, the Authority will distribute the RFP as well as work with the Department of Health to select the consultant for the engagement.

Mr. Hopkins concluded by saying that staff was asking for the Members' approval to distribute the RFP to firms on the Authority's Hospital Workout List and to publish notice of the RFP on the Authority's website, the State of New Jersey Business Opportunities website and possibly on other venues reasonably expected to reach consultants of this type.

Mr. Hopkins offered to answer any questions the Members may have. There were no questions.

Dr. Kazmir asked for a motion to approve the resolution to issue an RFP for a consultant to assess the state psychiatric hospitals. Ms. Feehan offered the motion. Ms. Gibson seconded. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. Dr. Kazmir called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. RR-22

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a resolution to issue a request for proposals for the selection of a management consultant firm to perform an organizational review and assessment of state psychiatric hospitals.

6. FINANCE COMMITTEE REPORT
<u>2018 Authority Budget</u>

Dr. Kazmir asked Finance Committee Chair Suzette Rodriguez to give her report of the October 12, Finance Committee Meeting.

Ms. Rodriguez reported that the proposed 2018 cash budget includes an estimated income of $4.275 million, which is an 11.00% increase. Estimated expenses are budgeted at $3.511 million, which is an increase of 0.08%. Net Income is expected to increase by 122.59% to $764,290.

Ms. Rodriguez then turned the meeting over to Mark Hopkins a detailed presentation of the 2018 Budget.

Mr. Hopkins presented an overview of the proposed 2018 Authority Budget, underscoring the significant variations from last year.

According to Mr. Hopkins, the projected 2018 Authority Budget will be based on the following:

- Revenues are projected to increase by 11.00% to $4,275,420
- Expenses are expected in increase slightly by 0.08% to $3,511,130
- Net Income is expected to increase by 122.59% to $764,290

Among the revenue projections highlighted were:

- Annual Fees to increase by 10.58% or $380,811
- Initial Fees to increase by 15.79% or $15,000
- Per Series Fees to increase by 25% or $10,000
- Interest Income to increase by 130.65% or $24,824

Among the expenditures highlighted were:

- Temporary Help to increase by 166.43% or $16,310 due to two family leave requests
- Post-Retirement Health Benefit Trust payment to increase by 5% to $968,965
- Insurance cost are expected to increase by 10.14% to $100,500
- Actuarial Services increased $30,000 because an actuarial valuation must be performed every two years and it was not performed last year

Mr. Hopkins also mentioned that there are $156,000 in funds being carried over from last year under three line items: the purchase of a new vehicle, that was budgeted for last year but will be purchased in 2018; the purchase of the bond management and accounting software that staff is in the process of making a final selection; and the purchase of a microphone system in the board room to record board meetings.

Most other line items saw a decrease. Two line items increased by $500 or less and a few had no change from 2017 to 2018.

Mr. Hopkins ended with a historical perspective of the Authority's issuance and a snapshot of the current trends.

Mr. Hopkins asked if the Members had any questions. There were no questions.

Ms. Rodriguez thanked Mr. Hopkins for his presentation.

Ms. Rodriguez thanked Marji McAvoy and the staff for the work on the budget. She then made a motion to approve the proposed 2018 Authority Budget.

Dr. Kazmir acknowledged the motion by Ms. Rodriguez and asked for a second. Ms. Gibson seconded. He asked if the Members had any questions on the motions. There were no questions. Dr. Kazmir called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. RR-23

> **NOW, THERFORE, BE IT RESOLVED**, that the Authority hereby adopts the proposed 2018 Authority Budget as recommended by the Finance Committee.

7. **RESOLUTION OF APPRECIATION**
   Commissioner Cathleen D. Bennett

Dr. Kazmir asked Mark Hopkins to read a Resolution of Appreciation for Commissioner Bennett who will become the new President and CEO of the New Jersey Hospital Association on November 9.

Mr. Hopkins read the resolution that acknowledged the highlights of Ms. Bennett's tenure as Commissioner of the Department of Health.

Dr. Kazmir asked for a motion to approve the Resolution of Appreciation. Ms. Gibson offered the motion. Ms. Feehan seconded. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. Dr. Kazmir called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. RR-24

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby adopts the resolution entitled "RESOLUTION OF APPRECIATION FOR CATHLEEN D. BENNETT as Commissioner of the New Jersey Department of Health and as the Chair of the Authority and thanks her for her service."

8. 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. Ms. Feehan offered a motion to approve the bills and to authorize their payment. Ms. Gibson 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-25

> **WHEREAS,** the Members of the Authority have reviewed the memoranda dated October 18, 2017 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $27,801.00 and $725.02 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.

9. STAFF REPORTS

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

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

Mr. Hopkins report included the following:

1. All Authority Members are reminded that in accordance with Executive Order #41 (Codey 2005) they must complete by November 10, the online ethics training from the State Ethics Commission. The training is offered at www.nj.gov/ethics/training. Go to the link "Online Training Modules" and choose "Special State Officer Training Module." Once complete you will need to enter your name and select NJHCFFA from the pull down menu of agencies. You will receive an e-mail confirming your completion of the training. Please forward that to me so that I may report it to the Authorities Unit.

2. Governor Christie nominated ten for appointment and three for reappointment to the New Jersey Nursing Board. Among the nominees for new appointment is our own Alison Gibson, Deputy Commissioner of the Department of Health.

3. Hospital & Other News

a. Dennis Pullin has taken over as President and CEO of Virtua. He was announced as the successor to Richard Miller who retired after 22 years as Virtua's CEO. Mr. Pullin was previously President at MedStar Health's hospital in Baltimore while simultaneously serving as Senior Vice President of the MedStar Health System. He also has experience in senior management at other hospitals, including teaching hospitals, in Texas and Tennessee.

b. Paige Dworak has been named permanent CEO of East Orange General Hospital after serving as interim CEO and COO. Ms. Dworak was previously Vice President of Operations Improvement at Waterbury Hospital and Eastern Connecticut Health Network. She has an M.B.A. from Montclair State University.

c. The Jefferson Health merger with Kennedy Health will result in Kennedy's three New Jersey hospitals in Cherry Hill, Stratford and Washington Township taking on the Jefferson name and logo. Kennedy CEO Joe Devine will now be President of Jefferson Health's New Jersey division.

d. On October 1, new management took over running Bergen Regional Medical Center. Care Plus Bergen is the new management entity, which is made up of the nonprofit Care Plus New Jersey in partnership with Integrity House and Rutgers New Jersey Medical School. Deborah Visconi is the new President and CEO. Care Plus Bergen has proposed renaming the facility New Bridge Medical Center, pending availability of the name.

e. It has been reported that Inspira Health Network may be one of the parties interested in acquiring The Memorial Hospital of Salem County. State Senate President Stephen Sweeney and Assemblymen John Burzichelli and Adam Taliaferro are requesting that funds from the Salem Health and Wellness Foundation (created with the proceeds of the sale of Salem to the for-profit Community Health Systems) be made available to assist in any purchase and subsequent upgrades to the facility. A purchaser is still being sought because Prime Healthcare Foundation backed out of buying the facility in the spring, just after regulatory approvals had been received.

f. Hackensack University Medical Center Foundation is partnering with Celgene Corporation to establish a Multiple Myeloma Institute at the Seton Hall-Hackensack Meridian School of Medicine on the former Roche campus in Nutley. The Institute will feature a specialized lab dedicated to researching treatments for Multiple Myeloma, a rare form of bone marrow cancer.

g. Capital Health has announced that its two hospitals, Capital Regional Medical Center in Trenton and Capital Health Medical Center in Hopewell, will be classified as Tier 1 hospitals in Horizon Blue Cross Blue Shield of New Jersey's OMNIA health insurance plan.

h. Robert Garrett, co-CEO of Hackensack Meridian Health, has penned a guest column in The Star Ledger about the need to reduce health care costs and improve outcomes through value-based care reimbursements rather than the traditional fee-for-service models. Mr. Garrett encourages the use of Accountable Care Organizations to accomplish this goal.

i. Fierce Healthcare published part of an interview by Philadelphia Business Journal of Virtua outgoing CEO Richard Miller. He provided advice to future health system executives, including caring for employees, paying attention to the business model, ensuring services and products are at the top of the marketplace and keeping an eye on alternative business models.

j. Community Health Systems, the owner of Memorial Hospital of Salem County, has sold five of its Pennsylvania hospitals to Tower Health (formerly the Reading Health System). CHS announced in the second quarter that it planned to divest itself of a total of 30 hospitals.

k. New Jersey residents who purchase health insurance on the Affordable Care Act exchange next year could see premium increases of up to 28%. The steep increase is largely due to the instability in the markets by the multiple attempts to repeal and replace the ACA along with President Trump's recent announcement that he will not pay cost-sharing subsidies to insurance companies to offset high deductibles and copays for lower income policy-holders.

l. NJ Spotlight held a roundtable to discuss the future of Medicaid. Medicaid covers 1.8 million of New Jersey residents, or 20%. Among the panelists who spoke were State Senator Joseph Vitale, chair of the Senate Health Committee, Heather Howard former State Health Commissioner and current lecturer at Princeton, and Matthew D'Oria, Chief Transformation Officer with the New Jersey Health Quality Institute. Topics included encouraging continued and expanded efforts in preventative care and public health despite threats of lower federal contributions. Care for the disabled, long-term care needs and the opioid epidemic were also addressed.

In national health care news:

m. President Trump has refused to authorize cost-sharing subsidy payments, which reduce co-pays and deductibles for lower income people who have purchased insurance through the Affordable Care Act exchanges. This is expected to result in higher premiums and some have estimated it may cause 1.1 million people to lose insurance coverage in 2018.

n. Congress has not yet passed an extension of the funding for the Children's Health Insurance Program that expired at the end of last month, which provides low-cost health insurance for children whose families earn too much to qualify for Medicaid. The effects of the failure to fund the program will start to take effect in the states as early as December.

o. Health care spending growth fell below 4% in the second quarter of 2017, the first time it was below 4% since the first quarter of 2014. Spending for health care grew by 4.6% in 2016 and is estimated to grow 4.4% for the first half of 2017.

p. National Medicaid spending rose 3.9% in fiscal year 2017, up from 3.5% in 2016, according to a survey conducted by Kaiser Family Foundation/Health Management Associates.

q. The International Journal of Health Services found that emergency departments delivered 47.7% of all medical care in the United States between 1996 and 2010.

r. Despite recent rules and monetary incentives to expand the ability to exchange medical records between providers, Health Affairs found that only 30% of hospitals had achieved this goal as of 2015. This is, nevertheless, up from 25% in 2014.

s. The Deloitte Center for Health Solutions reviewed 750 hospital mergers and acquisitions between 2008 and 2014 and found that operating expenses in many hospitals decreased after the merger but operating revenue fell even more, largely due to the significant capital investments that were made shortly after the merger or acquisition.

t. Concerned about the increasing scrutiny of nonprofit hospitals' tax exemption in light of tax reform, the American Hospital Association commissioned a study by Ernst & Young to quantify the value of community benefits the 2,988 tax-exempt hospitals provide. Ernst & Young concluded that nonprofit hospitals provided $67.4 billion in community health benefits in 2013 compared to an estimated $6 billion in foregone federal tax revenues.

u. Standard & Poor's Global Ratings recently released two reports:

    i. "Health Care Pulse: Why the Sector's Credit Quality is Ailing," looking at the for-profit health care sector and assigning a generally negative outlook; and

    ii. "Recent Performance in the U.S. Health Care Sector Is Increasingly Volatile," - noting operating margin declines but nevertheless considering the nonprofit health care sector stable.

In tax and regulatory news:

v. Treasury is withdrawing its proposed rule for qualifying as a political subdivision after significant negative feedback from many of the tax-exempt bond market participants. The proposed rule was aimed at preventing private developers from creating political subdivisions. The proposed rule would have added two "requirements that the political subdivision be governmentally controlled and serve a governmental purpose 'with no more than an incidental private benefit.'" Currently, case law requires only that the sovereign powers test is the sole basis for defining a political subdivision.

w. The tax reform plan proposed by Congressional Republicans fully retains the tax-exemption on municipal bonds but would eliminate the tax deduction for state and local taxes. The standard deduction would increase to $12,000 for individuals and $24,000 for couples. There would be three tax brackets with rates of 12%, 25% and 35% (although there have been some recent discussions of adding a fourth tax bracket for high income individuals). The corporate tax rate would be reduced to 20% and sole proprietorships, partnerships and S corporations would be taxed at 25%.

As there was no further business, following a motion by Ms. Feehan and a second by Ms. Rodriguez, the Members voted unanimously to adjourn the meeting at 11:10 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 OCTOBER 26, 2017.

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Carole A. Conover, Assistant Secretary