

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on December 14, 2017 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

Jim Foley, Designee of the Commissioner of Health (Chairing); Maryann Kralik, Designee of the Commissioner of the Department of Banking and Insurance; Jessica Feehan, Designee of the Department of Human Services; and, via telephone Dr. Munr Kazmir, Vice Chair and Suzette Rodriguez, Public Member (arrived at 10:20)

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

Mark Hopkins, Frank Troy, Ron Marmelstein, Carole Conover, Marji McAvoy, Edwin Fuentes, Taryn Rommel, Ellen Lieber, John Johnson, Diane Johnson, and Chris Kniesler

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

Jeet M. Gulati, Attorney General's Office; Tyler Yingling, Governor's Authorities Unit;

CALL TO ORDER

Executive Director Mark Hopkins called the meeting to order at 10:09 a.m. and announced that this was 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 *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

Mr. Hopkins recommended that in the absence of the Chair and the fact that the Vice Chair was participating by telephone, that a Chair pro tem be named. Dr. Kazmir nominated Jim Foley to serve as Chair pro tem for the December 14, 2017 meeting and Ms. Feehan seconded. Mr. Hopkins called for a vote. Dr. Kazmir, Ms. Kralik, Ms. Feehan and Ms. Rodriguez voted in the affirmative, Mr. Foley abstained and the motion passed.

1. APPROVAL OF MINUTES

November 16, 2017 Authority Meeting

November 30, 2017 Special Authority Meeting

Minutes for the Authority's November 16, 2017 Authority meeting and the minutes for the November 30, 2017 Special Authority meeting were distributed for review and approval prior to the meeting. Mr. Foley asked for a motion to approve both sets of minutes. Ms. Feehan made the motion. Ms. Kralik seconded. Mr. Foley asked if the Members had any questions on the motion. There were no questions. Mr. Foley called for a vote. All Members voted in the affirmative and the minutes were approved.

2. APPROVAL OF EXPENSES

Mr. Foley referenced a summary of Authority expenses and invoices provided to the Members. Mr. Foley asked for a motion to approve the expenses. Dr. Kazmir offered a motion to approve the bills and to authorize their payment. Ms. Feehan seconded the motion. Mr. Foley 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-36

WHEREAS, the Members of the Authority have reviewed the memorandum dated December 6, 2017 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and the memorandum dated December 6, 2017 summarizing general operating expenses, in the amounts of \$19,580.00 and \$54,261.10, 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.

3. STAFF REPORTS

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

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

Mr. Hopkins reported the following:

1. Mr. Hopkins reminded the Audit Committee Members that there would be an Audit Committee meeting after the Authority meeting to discuss the audit process prior to the commencement of the audit in conformance with Governor McGreevey's Executive Order #122.
2. Hospital & Other News
 - a. The State Health Planning Board met December 7 and voted to recommend approval of Valley Hospital's Certificate of Need application to close inpatient services at its existing hospital in Ridgewood and build a 372-bed, \$750 million replacement hospital in Paramus. The Commissioner of Health has 120 days to

decide on whether to approve the Certificate of Need. If approved, construction would begin in 2019 with an expected opening of 2023.

- b. The State Health Planning Board also voted to recommend approval of the Certificate of Need for the sale of Meadowlands Hospital Medical Center to Yan Moshe for \$12.2 million. The Commission of Health has 120 days to act on the application.
- c. Hackensack Meridian Health Palisades has named Anthony Passannante, M.D. as its permanent President. He has served in the position in an acting capacity since July. He previously served as Vice President of Medical Affairs and Chief Medical Officer at Palisades.
- d. St. Francis Medical Center, part of Trinity Health, has named David Ricci as Interim President. Mr. Ricci was most recently Interim President and CEO at Saint Francis Healthcare in Wilmington, Delaware and previously was the President and CEO of St. Michael's Medical Center in Newark. Trinity is in discussions with Cooper University Health Care to transfer St. Francis, Our Lady of Lourdes and Lourdes Medical Center to Cooper.
- e. Virtua Health has announced layoffs of 50 employees due to consolidating services. Virtua currently employs about 9,000 people.
- f. In ratings actions:
 - i. S&P has affirmed its "BBB" rating of 2016A and 2017A bonds issued by the Authority on behalf of Trinitas Regional Medical Center, currently outstanding in the amount of \$89.64 million. The outlook has been revised from stable to positive.
 - ii. Fitch has affirmed its "BBB" rating on approximately \$254,975,000 in bonds issued by the Authority on behalf of University Hospital. The outlook remains stable.
- g. The New Jersey Hospital Association estimates that New Jersey hospitals and health systems contributed \$23.4 billion to the New Jersey economy in 2016, making it one of the top five industries in the State. This is an increase from the 2015 contribution of \$22.7 billion.
- h. Leapfrog named its top 109 hospitals in 2017. The list included Capital Health Regional Medical Center in Pennington as a top general hospital. CarePoint Health-Bayonne Medical Center, CarePoint Health – Christ Hospital, Inspira Medical Center Vineland, Jefferson Stratford Hospital, Jersey City Medical Center, Monmouth Medical Center, Morristown Medical Center, Saint Barnabas Medical Center and Virtua Voorhees Hospital were listed as top teaching hospitals.

- i. Nineteen acute care hospitals and five other health care providers have been awarded new Certificates of Need to add 811 new psychiatric and addiction treatment beds in New Jersey. About 53 additional beds are expected to be approved in the near future as part of Governor Christie's plan to make treatment more available.
- j. Other New Jersey Health Care articles provided today include:
 - i. Health care organizations innovation efforts are paying off in New Jersey;
 - ii. Recommendations to Governor-elect Murphy from Better Choices, Better Care NJ (a trade organization) on how to lower the State's health care costs;
 - iii. UnitedHealthcare's study that found the New Jersey was the 13th healthiest state in the country in 2017, down from 9th last year;
 - iv. The Medical Society of New Jersey's launch of its health information exchange to make it easier for doctors to access the medical histories of their patients;
 - v. LeadingAge New Jersey's announcement that James McCracken will become its President and CEO effective January 2, 2018, after serving as Ombudsman for the State of New Jersey over the last seven years; and
 - vi. A bill introduced in the New Jersey legislature that would prevent citizens from suing nonprofits to question their right to tax-exemption.

In national health care news:

- k. Moody's has changed its outlook on the not-for-profit and public healthcare sector from stable to negative due to its projections that operating cash flow will contract by 2% to 4% over the next 12 to 18 months and expenses to outpace revenue growth.
- l. Moody's also issued a cross-sector report on the negative impact the elimination of private activity bonds, as proposed in the House Tax Reform bill, would have on state housing finance agencies, not-for-profit healthcare, not-for-profit education and infrastructure.
- m. Fitch released its 2018 outlook for U.S. not-for-profits and healthcare systems noting the outlook for the sector is negative.
- n. The following articles are also included on national health care news:

- i. an in-depth look at why hospitals will face greater cost containment efforts in 2018;
- ii. a report on the Advisory Board's biennial survey which found that hospital revenue cycles are improving but denials are up;
- iii. an article on how the House version of tax reform would hurt not-for-profits, forcing hospitals and colleges to cut services and raise prices;
- iv. a report from the Annals of Internal Medicine finding that Medicare's Value-Based Payment Modifier incentive program may not be effective in eliminating health care disparities between physician practices treating higher-risk patients and those treating lower-risk patients;
- v. Humana and the American Academy of Family Physicians conducted a study which found that while 3% more doctors have transitioned to value-based care from fee-for-service payment since its 2015 study, 53% of doctors have not made the transition to value-based care;
- vi. a report that unnecessary tests and procedures are major contributors to increasing health care costs;
- vii. Dignity Health and Catholic Health Initiatives have agreed to form the second largest nonprofit healthcare system in the country, with 139 hospitals in 28 states and \$28.4 billion in revenues;
- viii. Ascension and Providence St. Joseph Health have started merger talks, which if successful, would create the largest health care system in the country with 191 hospitals in 27 states and revenues of nearly \$45 billion;
- o. Several articles on changes at the Centers for Medicare and Medicaid Services ("CMS") are included covering such topics as:
 - i. the benefits to hospitals of proposed telehealth policy changes;
 - ii. extension of Medicare Advantage's value-based insurance program to 25 states;
 - iii. the call from healthcare organizations for more transparency and timely data from CMS's Center for Medicare and Medicaid Innovation;
 - iv. industry advocates' suggestions to improve CMS's value-based payment models;
 - v. CMS Administrator Seema Verma's vision for opportunities in telehealth and personal connection to interoperability; and

- vi. final changes to joint replacement bundled payment, including participation shifting from mandatory to voluntary.
- p. The Federal Reserve voted yesterday to raise interest rates another 25 basis points. This is the third increase in 2017 but only the fifth increase since the 2008 financial crisis. The federal funds rate will now hover between 1.25% and 1.5%, still historically low. At this time, the Fed policymakers expect to make three more rate hikes in 2018 and two in 2019.
- q. Several articles are also included on the elimination of advance refunding bonds (which is in both the Senate and House tax reform bills) and the elimination of private activity bonds (which is only in the House tax reform bill). One article from HFA Partners argues that hospitals can survive without tax-exempt debt. It acknowledges tax-exempt debt saves about 125 basis points (1.25%) in the current low-interest rate market. However, it argues that in the short term it should not significantly impact hospitals. Using a sample of “average” hospitals with a current debt service coverage ratio of 2.4 times going to taxable financing for a third of its debt in the early years would reduce debt service coverage ratio to 2.2 times. However, in the end, as all a hospital’s debt is replaced with taxable financing, HFA Partners acknowledges it would be more costly and suggests hospitals would have to look at alternatives like shorter maturities. Mr. Hopkins argued that this change, added to expected increases in expenses and reductions in revenues (resulting from new limitations on and uncertainty the Affordable Care Act and the increase in high-deductible health plans), will cause more hospitals to increase charges, cut back services or staff, or even possibly close. In 2016, New Jersey hospitals “reveled” in the median operating margin of 3.39%, up from 1.2% in 2010. For any business that has that small a margin every savings opportunity is important.
- r. Details of the “agreement in principle” resulting from the conference to reconcile the House and Senate tax reform bills are leaking out. Of the utmost importance to the Authority is that it appears private activity bonds, like the ones the Authority issues on behalf of non-profit hospitals and health care organizations, have been preserved. There is discussion of limiting the ability to carry over volume cap for projects involving for-profit entities like low and moderate income housing bonds that we use for some assisted living projects. It is appears advance refundings will be eliminated but it is unclear whether there will be a transition period or if it will become effective January 1, 2018. Other key provisions are that the top individual income tax rate will be reduced to 37% from 39.6% and corporate tax rates will be reduced from 35% to 21%. The final details need to be ironed out and the Republicans in Congress hope to have both houses vote on the final bill before Christmas.

3. Authority News

- a. Mr. Hopkins announced that Project Manager Edwin Fuentes and his fiancée Rachel welcomed a baby girl, Zoey Anabelle Fuentes on December 1, 2017. Zoey weighed in at 7 pounds 10 ounces.
- b. Mr. Hopkins welcomed temporary Administrative Assistant Katherine Parriski who is filling in for Taryn Brzdek, who is on maternity leave. Katherine most recently served as a Project Underwriter at Morgan Stanley Private Bank. Prior to that, she was a Collateral Risk Analyst at CoreLogic/Speedy Title Appraisal Review Service and a Service Coordinator Administrative Assistant at Visiting Nurse Association of Central Jersey and Virtua Community Nursing Services.
- c. Mr. Hopkins wished the Members and Authority staff a Happy Hanukkah, and Merry Christmas and a Happy Kwanza. He then thanked the Members and staff for all their work during the past year.

Mr. Foley also wished everyone sentiments of the season and expressed his appreciation to the Authority staff for their efforts during what was a challenging year.

As there was no further business, following a motion by Ms. Kralik and a second by Ms. Feehan the Members voted unanimously to adjourn the meeting at 10:27 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
DECEMBER 14, 2017.

Carole A. Conover, Assistant Secretary