

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on January 25, 2018 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; Maryann Kralik, Designee of the Commissioner of the Department of Banking and Insurance; Greg Lovell, Designee of the Department of Human Services; 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, John Johnson, Diane Johnson, Michael Solidum, Nino McDonald, Bernie Miller and Chris Kniesler

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

Cliff Rones, Attorney General's Office; and, via telephone, Ryan Feeney, Treasurer's Office

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 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.

1. APPROVAL OF MINUTES

December 7, 2017 Special Authority Meeting December 14, 2017 Authority Meeting

Minutes for the Authority's December 7, 2017 Special Authority meeting and the minutes for the December 14, 2017 Authority meeting were distributed for review and approval prior to the meeting.

Dr. Kazmir asked for a motion to approve the minutes of the December 7, 2017 Special Authority meeting. Ms. Gibson made the motion. Ms. Kralik 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. Gibson, Ms. Kralik and Ms. Rodriguez voted in the affirmative, Mr. Lovell abstained and the minutes were approved.

Dr. Kazmir then asked for a motion to approve the minutes of the December 14, 2017 Authority meeting. Ms. Kralik made 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. Dr.

Kazmir, Ms. Gibson, Ms. Kralik and Ms. Rodriguez voted in the affirmative, Mr. Lovell abstained and the minutes were approved.

2. TEFRA Village Drive Healthcare Urban Renewal, LLC

Dr. Kazmir announced that the following portion of the meeting was a public hearing in connection with the Village Drive Healthcare Urban Renewal, LLC transaction. He stated that this hearing is taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Dr. Kazmir asked Edwin Fuentes to provide the Members with the details of the transaction.

Mr. Fuentes reminded the Members that, at the September 2017 meeting, they were given an Informational Presentation related to the tax-exempt bond financing for Village Drive Healthcare Urban Renewal, LLC (“Village Drive”). According to Mr. Fuentes, Village Drive is a for-profit limited liability company, and is 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. In addition, AHP Housing Fund, a subsidiary of Berkshire Hathaway Inc., is Village Drive’s limited partner and low income housing tax credit investor.

Mr. Fuentes informed the Members that the original intention was to request a contingent sale of bonds on behalf of Village Drive at this meeting and, therefore, the notice was published for a TEFRA hearing. Village Drive, however, is still in the process of receiving certain approvals required to commence construction. Consequently, Village Drive is not seeking the approval of a contingent bond sale from the Authority at this time.

Mr. Fuentes said that since the TEFRA notice for a public hearing was advertised, the Authority decided to hold the public hearing and allow for public comment on the transaction at this meeting. Mr. Fuentes advised the Members that this public hearing does not bind the Authority to approve the contingent bond sale. That request will be presented to the Members for their approval at a subsequent meeting when the final documents will be presented. The public hearing held today satisfies the federal tax law provisions for this transaction when and if it is approved by the Authority and the Governor.

According to Mr. Fuentes, the proceeds of the financing will be used to: (i) acquire real property located at 1111 and 1125 Village Drive in Millville NJ; (ii) renovate, construct, and equip an assisted living residence for low income seniors on aforementioned property, consisting of, among other things, the renovation of an existing private room hotel, the new construction of additional units and kitchen, dining, administrative and resident activity areas, including an adult care facility (the “Project”); (iii) pay capitalized interest on the Bonds, if any; (iv) fund a debt service reserve fund, if needed; and (iv) pay certain costs incidental to the issuance and sale of the bonds. The maximum principal amount of the tax-exempt bonds will not exceed \$23 million.

Mr. Fuentes concluded by saying that no action was required by the Members at this time and that he would be happy to answer any questions from the Members.

Dr. Kazmir asked if there were any questions from the Members or the public. There were no questions.

Dr. Kazmir then closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended regarding the proposed financings on behalf of Atlantic Health System.

3. 2018 DEBT MANAGEMENT PLAN

Dr. Kazmir asked Bill McLaughlin to present the Authority's Debt Management Plan to the Members.

Mr. McLaughlin began by saying that, under Executive Order No. 26 (Whitman), the Authority is required to prepare an annual Debt Management Plan and submit it to the Treasurer. The Authority's plan for 2018 reflects financings that were completed during 2017 and identifies five (5) bond financings that are anticipated for 2018, along with a description of each project, the anticipated issue size, security, ratings and a proposed method of sale.

Mr. McLaughlin informed the Members that there is no anticipated activity for the Master Lease Program, Composite Program or Equipment Revenue Note Program. In addition, the proposed plan excludes Capital Asset program (CAP) loans, since these transactions do not involve the issuance of new debt.

Mr. McLaughlin reminded the Members that, as in prior years, the total volume for 2018 is subject to change, depending upon market conditions and borrowers' preferences. He then asked the Members to approve of the proposed plan and authorization to submit it to the Treasurer.

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 2018 Debt Management Plan and submit it to the Treasurer. Ms. Gibson 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 resolution was approved.

AB RESOLUTION NO. RR-37

WHEREAS, the Members of the Authority have reviewed the memorandum dated January 17, 2018 regarding the 2018 Debt Management Plan.

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a motion to adopt the proposed 2018 Debt Management Plan and submit it to the Treasurer in accordance with the requirements of Executive Order No. 26.

(attached)

4. RESOLUTION OF APPRECIATION

Jessica Feehan

Dr. Kazmir informed the Members that Jessica Feehan, the Designee for the Commissioner of Human Services, left her position to join RWJBarnabas. He then asked Executive Director Mark Hopkins to read a Resolution of Appreciation for Ms. Feehan.

Dr. Kazmir asked for a motion to approve the Resolution of Appreciation for Ms. Feehan and present a copy of said resolution to her. Ms. Gibson made the motion. Mr. Lovell 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 resolution was approved.

AB RESOLUTION NO. RR-38

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled “RESOLUTION OF APPRECIATION FOR JESSICA FEEHAN as Designee for the Commissioner of the New Jersey Department of Human Services and thanks her for her service.”

5. 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. Gibson offered a motion to approve the bills and to authorize their payment. Ms. Kralik 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-39

WHEREAS, the Members of the Authority have reviewed the memorandum dated January 17, 2018 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and the memorandum dated January 17, 2018 summarizing general operating expenses, in the amounts of \$41,574.63 and \$64,680.50, 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.

6. 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 the following:

1. In June of 2007, the Authority adopted Resolution No. HH-28, which lowered certain Authority fees but created an automatic annual adjustment to the amount of bonds that would be subject to the Authority's initial fees and annual fees (the "fee cap"). The resolution called for the adjustment of the fee cap commensurate with the change in the average of the Consumer Price Index for all Urban Consumers ("CPI-U") in the New York City and Philadelphia regions, rounded to the nearest million. In September 2016, the Authority Members readjusted the Authority's fee structure and eliminated the fee cap for annual fees and increased the fee cap for initial fees to apply to up to \$100,000,000 of each financing. At that time, the Authority Members also approved postponing any adjustment of the fee cap for initial fees until January of 2018. For the twelve-month period ending December 31, 2017, the CPI-U in the New York City region increased 1.6% and in the Philadelphia region increased 0.8%, for an average increase of 1.2%. Therefore, the initial fee of 2.5 basis points will now be collected on the first \$101,200,000 in bonds issued by the Authority or a maximum of \$25,300. Per series fees shall continue to be \$10,000 for each series.
2. The Authority provided over \$1.2 billion in financing in 2017 to five (5) separate borrowers. The financings included \$425 million in new money bonds and \$775.7 million in refunding bonds. The weighted average all-in true interest cost on the \$1,200,700,000 in bonds issued in 2017 was 3.805%. Compared to taxable rates, the issuance of the \$425 million in new money tax-exempt bonds saved Authority borrowers

about \$25.6 million on a present value basis, over the first 10 years of the bonds. If those bonds remain outstanding longer, there will be additional savings. The \$775.7 million in refunding bonds saved Authority borrowers over \$75.3 million on a present value basis compared to the bonds that were refunded.

The \$425 million of new money bonds were issued to finance projects at the following health care organizations: Hackensack Meridian Health and Inspira Health. The \$775.7 million in refunding bonds were issued to refund outstanding bonds for CentraState Medical Center, Hackensack Meridian Health, Trinitas Regional Medical Center and the State Contract Bonds issued pursuant to the Hospital Asset Transformation Program on behalf of St. Mary's Hospital and St. Michael's Medical Center. There was one new Federally Qualified Health Center loan for \$2 million issued to the Lakewood Resource and Referral Center (d/b/a CHEMED). There were no Equipment Revenue Notes or Master Leases issued in 2017. There were no new financings through the Capital Asset Program in 2017 but one CAP loan was extended for CentraState Medical Center. Existing loans under the Capital Asset Program averaged an interest rate of 3.79% for calendar year 2017.

According to the unaudited year-end numbers, the Authority's 2017 expenses came in at \$2,913,228, which was 17.0% lower than budget and 29.8% below 2016 expenses (which included a payment of \$922,824 in the post-retirement health care benefit trust). The Authority's revenues came in at \$4,043,714, which was 5.0% over budget and 5.0% below 2016 revenues. The Authority's receipts over disbursements came in at \$1,130,487, which is \$636,704 over budget and \$1,034,487 more than 2016.

3. Governor Murphy has named his nominees for each ex officio position on the Authority. The nominees are subject to the advice and consent of the Senate:
 - a. Dr. Shereef Elnahal has been nominated to serve as the Commissioner of Health. Dr. Elnahal served as Assistant Deputy Undersecretary of Health for Quality, Safety and Value in the Veterans Health Administration. He received his M.D. and an M.B.A. from Harvard. He did a three-year residency in radiation oncology at Johns Hopkins. He is also an adjunct professor of Health Policy and Management at Georgetown University. He also worked as a consultant for the Wright-Patterson Air Force Base, 88th Medical Group.
 - b. Carole Johnson has been nominated to serve as the Commissioner of the Department of Human Services. Ms. Johnson was a senior health policy advisor on the White House Domestic Policy Council during the Obama administration. Prior to that, she was a health policy researcher at George Washington University. She has a master's degree in government from the University of Virginia.
 - c. Marlene Caride has been nominated to serve as the Commissioner of Banking and Insurance. She has been an assemblywoman from the 36th district covering parts of Bergen and Passaic counties since 2012. She is also an attorney who was a

partner in the law firm of Gonzalez & Caride and served as the Ridgefield municipal prosecutor and South Hackensack zoning board attorney.

4. The Authority's engagement of a consultant to review and assess the State's four psychiatric hospitals has begun and is moving at a fast pace in an effort to deliver a report to the Commissioner of Health and the Authority by March 1, 2018. Prior to leaving office, Governor Christie also appointed several members to the boards of each of the State's psychiatric hospitals.
5. Authority Members should have received two disclosure forms to be filled out by Thursday, February 1. The "Personal and Business Relationships Disclosure Form" is required pursuant to New Jersey Statute 52:34-10.11 for anyone, including Authority Members and Staff, involved in the procurement process. The "Annual Outside Activity Questionnaire" is required pursuant to the State's Uniform Code of Ethics. Please feel free to consult Robin Piotrowski, the Authority's Human Resources Manager and Ethics Liaison Officer, if you have any questions.
6. Hospital & Other News
 - a. On January 1, 2018, JFK Health System, which includes JFK Medical Center in Edison, joined Hackensack Meridian Health, creating a 16-hospital system with 160 patient care locations from Bergen County to Ocean County.
 - b. Also on January 1, 2018, Princeton HealthCare System, which includes the University Medical Center of Princeton at Plainsboro, joined the University of Pennsylvania Health System. The Plainsboro hospital has been renamed Penn Medicine Princeton Medical Center.
 - c. Unconfirmed news reports state that St. Peter's Healthcare System, which includes St. Peter's University Hospital in New Brunswick, is engaging in informal talks with RWJBarnabas Health, which includes 16 hospitals throughout northern and central New Jersey.
 - d. Meadowlands Hospital Medical Center in Secaucus received final Certificate of Need approval to be sold on December 16, 2017. Shortly thereafter, the prior owner of Meadowlands, MHA, LLC, transferred ownership to NJMHMC, a limited liability company controlled by Yon Moshe, a developer from Long Island.
 - e. Cooper University Health Care announced on December 15, 2017 that it was no longer pursuing the acquisition of Lourdes Medical Center of Burlington, Our Lady of Lourdes Medical Center in Camden and St. Francis Medical Center in Trenton from Trinity Health. Cooper is suing for the return of a \$15 million deposit alleging that Trinity violated the terms of the letter of intent and had some compliance issues.

- f. St. Luke's Health Network, which includes St. Luke's Warren Hospital in Phillipsburg, New Jersey as well as several hospitals in northeastern Pennsylvania, has acquired Blue Mountain Health System which has two hospitals in Carbon County Pennsylvania.
- g. With the acquisition of JFK Medical Center, Hackensack Meridian Health has 16 hospitals, as does RWJBarnabas Health. Each has a claim to being the largest health care system in New Jersey. In addition to 16 hospitals, each claims about \$5.5 billion in revenues. Hackensack Meridian Health has 4,520 beds, employs nearly 33,000 people including 6,500 physicians and has 160 patient care locations. RWJBarnabas Health has 5,066 beds, 33,000 employees plus 9,000 physicians and 242 patient care locations.
- h. Hackensack City Council is seeking to tax the property of Hackensack University Medical Center, a nonprofit hospital. HUMC pays taxes on several of its nonhospital properties in the City. This is the 41st tax challenge filed in New Jersey between a municipality and a nonprofit hospital since a New Jersey tax court judge ruled in favor of Morris Township in a tax appeal against the nonprofit Morristown Medical Center.
- i. Plainfield has approved the redevelopment of the former Muhlenberg Hospital site. The redevelopment is estimated to cost \$57 million and includes a 186,000 square foot medical arts complex and 120 luxury residential apartments. JFK Health System, which owns the site and maintains an emergency department and nursing school adjacent, is expected to receive \$3 million from the sale of the Muhlenberg property. Those sale proceeds will be used to pay down a portion of the \$130 million in outstanding Hospital Asset Transformation Program bonds issued by the Authority on behalf of JFK when Muhlenberg was closed in 2009.
- j. Atlantic Health System has launched Atlantic Alliance, a physician-led clinically integrated network. The network will provide the physicians with educational and training programs, access to population health software and programs, education on population health initiatives, a care management platform to improve outreach to high risk, high-cost patients and a practice assessment tool for evaluating success in value and risk-based reimbursement.
- k. Amy Perry, CEO of the Atlantic Health System's hospital division and Senior Vice President of integrated care delivery, has been named as one of Becker's Healthcare 130 Women Hospital and Health System Leaders to Know.
- l. The New Jersey Hospital Association has elected Amy Mansue as chair of its board. Ms. Mansue is the President of RWJBarnabas Health's Southern Region.
- m. The Memorial Hospital of Salem County welcomes a new Chief Financial Officer: Donald Bevers, who previously worked at Brandywine Hospital. Mr. Bevers replaces Robert Ehinger.

- n. Medicare penalized 751 hospitals by reducing their Medicare payments due to their higher than average rates of hospital acquired infections, falls, blood clots or other patient injuries. The penalty, created by the Affordable Care Act to incentivize patient safety, was levied against 15 New Jersey hospitals. New Jersey hospitals showed an improvement over previous years with 26 hospitals being penalized in 2017, 21 in 2016 and 23 in 2015.
- o. The New Jersey Senate Health, Human Services and Senior Citizens Committee and the Senate Commerce Committee will be holding joint hearings to discuss Horizon Blue Cross Blue Shield of New Jersey's OMNIA tiered network plan and its Medicare Advantage plan.
- p. Prior to leaving office, Governor Christie signed a law that would allow registered one room surgical centers to obtain a license from the New Jersey Department of Health without adhering to the current "physical plant standards" enforced by the New Jersey Board of Medical Examiners. They will also be exempt from paying the ambulatory care facility assessment and licensing fees.
- q. The Medical Society of New Jersey and the American Medical Association did a study that estimated that the 22,697 active doctors in New Jersey generated \$55.4 billion in economic activity and created 281,923 jobs.
- r. In ratings actions:
 - i. Moody's assigned a "Baa1" and S&P assigned a "BBB+" rating to the Authority's \$175 million State Contract Refunding Bonds (Hospital Asset Transformation Program) Bonds Series 2017 issued last month to refund the State Contract Hospital Asset Transformation Program Bonds issued on behalf of St. Mary's Hospital in 2007 and St. Michael's Medical Center in 2008. Both gave an outlook of stable.
 - ii. Moody's affirmed the "A1" rating and S&P has affirmed the "A+" rating on approximately \$1.6 billion in bonds issued on behalf of RWJBarnabas Health. Moody's outlook remains stable while S&P has an outlook of positive.
 - iii. Fitch Ratings assigned a "BBB-" rating to approximately \$250 million in bonds expected to be issued on behalf of Prime Healthcare Foundation, with a negative outlook.
- s. The Continuing Resolution passed by Congress and signed by the President on Monday included a provision extending funding for the Children's Health Insurance Program for six more years but did not include funding for federally qualified health centers, both of which expired October 1, 2017. It also postponed the taxes on medical devices and high end "Cadillac" insurance plans for two

years and the tax on all health insurance plans for one year but did not delay the cuts to Medicaid Disproportionate Share Hospital payments.

- t. Ascension Health, Intermountain Healthcare, SSM Health and Trinity Health have partnered to create a new generic drug company out of frustration over drug prices and shortages. The four nonprofit hospital systems own 10% of hospitals in the United States.
- u. The Trump administration is proposing a rule to expand association health plans, which allow small businesses and the self-employed to band together to buy health insurance. The association health plans are not subject to many of the regulations and consumer protections as plans sold under the Affordable Care Act. The plans may also be exempt from some state laws and regulations.
- v. Other articles about national health care issues include: (i) numerous articles on trends, outlooks and predictions for health care, health insurance, nonprofit hospitals, health systems, health care mergers and acquisitions, value-based care, fee for service, bundled payments, delivery trends, investment in digital health; (ii) a study finding Medicaid expansion likely prevented the closure of several critical access hospitals in states where expansion was adopted; (iii) improving health through addressing whole person care; (iv) providers addressing social factors like housing, food and transportation to be more effective at managing population health; (v) CMS updates to the hospital star ratings formula after criticism about reliability and accuracy from the American Hospital Association; (vi) seven strategies for successful payer-provider Accountable Care Organization partnerships; and (vii) how providers can promote telehealth for senior citizens.
- w. In tax and regulatory news:
 - i. After a serious scare, the federal tax reform legislation ultimately did NOT eliminate the issuance of tax-exempt private activity bonds like the ones we issue for hospitals and health care organizations;
 - ii. the limitation of only a \$10,000 deduction for state and local taxes in the tax reform act may encourage more high-income people in high tax states to seek tax-exempt bonds;
 - iii. municipal market professionals are predicting a lull in municipal bond rulemaking;
 - iv. the SEC is expected to focus its municipal market enforcement on offering and disclosure fraud, broker-dealer abuses, municipal advisor misconduct and breaches of fiduciary duty, public corruption and pay-to-play abuses in 2018;

- v. the MSRB is cautioning broker-dealers trading through alternative trading systems or broker's brokers against filtering or screening out bids and offers to adversely impact retail investors and market efficiency; and
- vi. five trends for 2018 in the municipal bond market: (a) more taxable municipal bonds; (b) the outperformance of high-yield municipal bonds; (c) the underperformance of intermediate municipal bonds; (d) the fall of tax-exempt municipal to Treasury ratios to 20-year lows; and (e) the decline of tax-exempt market liquidity.

7. Authority News

- a. Taryn Brzdek, the Authority's Administrative Assistant for the Division of Operations, Finance and Special Projects, gave birth to an 8 pound, 8 ounce baby boy, Logan Edward Gazzillo, on December 16, 2017.

As there was no further business, following a motion by Ms. Gibson and a second by Ms. Kralik the Members voted unanimously to adjourn the meeting at 10:33 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
JANUARY 25, 2017.

Carole A. Conover, Assistant Secretary