

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on February 22, 2018 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

Via telephone, Dr. Munr Kazmir, Vice Chair (Chairing); Alison Gibson, Designee of the Commissioner of Health; Steven Kerner, Designee of the Commissioner of the Department of Banking and Insurance; Greg Lovell, Designee of the Department of Human Services; and 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, Ellen Lieber, Debra Coons, Neetu “Nikki” Thukral 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, Lauren Nathan-LaRusso, Governor’s Authority Unit; 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 January 25, 2018**

Minutes for the Authority’s January 25, 2018 meeting were distributed for review and approval prior to the meeting.

Dr. Kazmir asked for a motion to approve the minutes of the January 25, 2018 Authority meeting. Mr. Lovell 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. All Members voted in the affirmative and the minutes were approved.

## **2. BOND SALE REPORT**

### **State Contract Bonds (HATP Bonds for Saint Mary's and Saint Michael's)**

Dr. Kazmir asked Bill McLaughlin to give his report on the sale of the refunding bonds for the State Contract Bonds (HATP Bonds for Saint Mary's and Saint Michael's).

Mr. McLaughlin informed the Members that on December 19, 2017 the Authority, along with Goldman Sachs & Co. LLC, as senior managing underwriter, priced the \$170,475,000 publicly issued tax-exempt State Contract Refunding Bonds (Hospital Asset Transformation Program) Series 2017 bond financing. The bonds were rated Baa1/BBB+ by Moody's Investors Service and S&P Global Ratings, respectively.

According to Mr. McLaughlin, in November 2017, the NJHCFFA was contacted by the State Treasurer's Office about the opportunity to refund certain bonds issued under the Hospital Asset Transformation Program ("HATP"). Specifically, the transaction would entail the current refunding of all or a portion of the NJHCFFA State Contract Bonds (Hospital Asset Transformation Program – St. Mary's Hospital, Passaic, NJ Issue) Series 2007-1 ("Series 2007-1") and the advance refunding of all or a portion of the NJHCFFA State Contract Bonds (Asset Transformation Program) Series 2008A ("Series 2008A"). Mr. McLaughlin reminded the Members that the United States Congress was in the midst of negotiating reforms to the tax code, which were to take effect on January 1, 2018. Among the proposed changes was the elimination of advance refundings for tax-exempt issuers, a significant component of the present savings associated with this transaction.

Mr. McLaughlin reported the transaction was structured with serial bonds maturing from 2020 to 2038. The order period began at 9:30 a.m. with the following priority of orders: New Jersey retail; net designated; and member. At the conclusion of the order period, the underwriting team had received orders by maturity subscription ranging from 1.1 times to 5.1 times. This oversubscription led to the underwriting team adjusting the yields downward throughout the structure.

Mr. McLaughlin concluded by saying that Goldman Sachs made an offer to underwrite the bonds at the new levels and Staff gave the verbal award. Yields on the Series 2017A bonds ranged from 2.61% on the 2020 maturity to 3.97% on the 2038 maturity. The refunded bonds provided net present value savings of \$15.27 million or 8.48%. Overall, the final all-in TIC for this transaction was approximately 3.99%. This transaction closed on December 28, 2017.

Dr. Kazmir advised the Members that this report was for informational purposes and that no action was required by the Members.

### 3. 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. Mr. Lovell 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-40

**WHEREAS**, the Members of the Authority have reviewed the memorandum dated February 14, 2018 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and the memorandum dated February 14 2018 summarizing general operating expenses, in the amounts of \$37,517.50 and \$9,034.07, 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.

### 4. STAFF REPORTS

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

Dr. Kazmir announced that Mark Hopkins had sent his Executive Director's Report to the Members instead of reading it.

For the record, Mr. Hopkins report contained the following:

1. A bill was pre-filed in the Assembly (A-1111) to establish a social innovation loan guarantee pilot program and study commission within our Authority to assist with treatment of opioid and other substance abuse disorders. The bill is similar to bills introduced in both the Senate and Assembly in December of 2016, which never got out of committee. Under A-1111, the Authority would guaranty private loans to facilities and organizations that provide treatment for people with opioid and substance abuse addiction.
2. The New Jersey Department of Health is working with the New Jersey Innovation Institute to create the New Jersey Health Information Network to "facilitate the exchange

of electronic health records across different facilities, health information organizations and state health data resources.”

### 3. Hospital & Other News

- a. Atlantic Health is collaborating with CentraState Healthcare System, Holy Name Medical Center, Hunterdon Healthcare, St. Joseph’s Health and Saint Peter’s Healthcare System to create the Healthcare Transformation Consortium to provide each organization with a self-funded health care plan to be offered to their combined 50,000 employees with the goal of reducing administrative fees and “select[ing] an insurance carrier that is open to development of a unique product that can be replicated by health systems in other regions.”
- b. Hackensack Meridian-Seton Hall Medical School has received accreditation from the Liaison Committee on Medical Education and can now accept applicants for its fall 2018 semester. It will become the first private medical school in the State.
- c. Hackensack Meridian Health is preparing a new mobile application that will allow its patients to easily access medical records, documents, make appointments and join health care chat groups. It was developed by the medical software company EPIC and is expected to be ready for patient use later this year.
- d. Penn Medicine has launched one of the largest telehealth hubs in the country, the Center for Connected Care. It has 50 employees offering care 24 hours a day seven days a week, including an e-ICU, virtual urgent care services and a telehealth program designed to treat chronically ill patients at home as well as a service for obstetricians to access trauma surgeons for critically injured pregnant women.
- e. Jefferson Health has entered into a five-year agreement with InTouch Health to create ten telehealth models for acute care and outpatient care, including stroke, sepsis and acute heart failure.
- f. Geisinger will be one of the first health systems to implement Apple’s medical records system. The Apple system will integrate patient health records from multiple sources into its health app to make it easier for patients to access and share their medical records.
- g. St. Joseph’s Health will be the first health system to participate in the latest Accountable Care Organization model. Called Mission Health Coordinated Care, St. Joseph’s Next Generation ACO Model will partner with more than 100 physicians and coordinate care for more than 8,000 Medicare beneficiaries.
- h. Cooper University Health Care and Inspira Health Network have integrated their cardiac health units to form Cardiac Partners, the largest cardiac care program in Southern New Jersey. The group will consist of 65 physicians and provide patients with access to nurses to answer questions and navigate them to appropriate care.

- i. South Jersey Biz recognized Thomas Baldosaro of Inspira Health Network and Grant Leidy of Deborah Heart and Lung Center as Top CFOs and Dennis Pullin of Virtua as Top CEO.
- j. Governor Murphy released the report from his Health Care Transition team. It called for reducing racial disparities, sustaining and growing health insurance coverage, better integrating behavioral and physical care systems, improving end-of-life planning and boosting the use of data and other technologies.
- k. The Human Services and Child Welfare Transition team's report was also released late last month. One of its recommendations was to reverse Governor Christie's move of the Division of Mental Health and Addiction Services from the Department of Human Services to the Department of Health.
- l. New Jersey ranked as the 25th healthiest state in the country according to a survey by insurer data service Policygenius. The survey was based on 38-year-old U.S. males with 20-year life insurance policies of \$500,000 and based on data about policyholders' smoking habits, blood pressure, cholesterol and diabetes.
- m. Legislators are nearing an agreement on new legislation that would limit payments for out-of-network health care services; however, doctors are not yet satisfied with the discussions.
- n. Some nurse unions, including HPAAE, are pushing for a law requiring minimum nurse staffing requirements at hospitals. Governor Murphy supported such legislation during his campaign. Notably, the New Jersey State Nurses Association, which represents nurses in staff and managerial positions, does not support legislation to enact nurse ratios.
- o. Value-based care is designed to cut costs but not quality according to an article in NJBiz. Accountable Care Organizations, bundled payment arrangement, aligned physician groups and electronic medical records are all being used in New Jersey to improve health, increase efficiency and reduce costs.
- p. In national health care news, articles are provided on the following:
  - i. The Amazon, Berkshire Hathaway and JP Morgan announcement that they were collaborating to form a health care company aimed at cutting health care costs for their employees shook the markets and raised many questions about what such a company would look like;
  - ii. Forbes proposes ways to save America's hospitals through improving efficiency and eliminating unnecessary services;

- iii. Five percent of health care patients account for 53% of health care costs according to the New England Journal of Medicine; interestingly only 39% of the top spenders in 2015 were top spenders in 2014 and 15% of the top spenders in each of 2008 through 2015 were in the bottom 50% in previous year;
  - iv. Health care spending is expected to reach 19.7% of GDP by 2026 according to Health Affairs;
  - v. Hospital spending grew 2.9% in 2017, down from 6.2% in 2016, according to the Altarum Institute;
  - vi. There were 115 hospital mergers in 2017 according to Kaufman Hall, an increase of 13% over 2016;
  - vii. The National Health Policy Conference held in early February presented evidence that hospital consolidations had a spotty record, with less competition resulting in higher costs and poorer patient outcomes in several of the mergers studied;
  - viii. Harvard's T.H. Chan School of Public Health analyzed trends in surgical care prior to Medicaid Expansion compared to those after Medicaid Expansion and found patients had improved access to timely and high-quality surgical care;
  - ix. Atlantic Health System and the University of Pennsylvania were among the 13 health systems with strong finances cited by Becker's Hospital Review;
  - x. A Healthcare Financial Management Association survey of 117 senior financial executives showed value-based methods of reimbursement have doubled to 24% since 2015, which is slower than the expected 50% by 2018, and almost three-quarters of the executives surveyed said that value-based programs achieved positive financial results; and
  - xi. Four California hospitals are requesting that the California Attorney General reduce the amount of free and discounted care they are required to provide under state law; their request is based on their assertion they simply have fewer patients in need of charity care due to the Affordable Care Act's decrease of patients not covered by insurance from 17% to 6.8%.
- q. In tax and regulatory news: two articles are being provided that discuss how the new tax law is expected to affect municipal bonds.

As there was no further business, following a motion by Mr. Lovell and a second by Ms. Gibson, the Members voted unanimously to adjourn the meeting at 10:10 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  
FEBRUARY 22, 2017.

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Carole A. Conover, Assistant Secretary