

Minutes of the New Jersey Health Care Facilities Financing Authority Annual Meeting held on May 24, 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, Chairing (Vice Chair); Robin Ford, Designee of the Commissioner of Health; Greg Lovell, Designee of the Commissioner of Human Services; Maryann Kralik, Designee of the Department of Banking and Insurance; and, via telephone, Suzette Rodriguez, Public Member (entered the meeting at 10:08 am)

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

Mark Hopkins, Ron Marmelstein, Frank Troy, Carole Conover, Bill McLaughlin, Marji McAvoy, Taryn Rommell, Debra Coons, Neetu “Nikki” Thukral, John Johnson, Michael Solidum and Chris Kniesler

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

Cliff Rones and Brian McGarry Attorney General’s Office; Lauren Nathan-LaRusso, Governor’s Authority’s Unit; Gui Valladares, Penn Medicine Princeton Health; Radiance Bucknor, Wells

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:06 a.m. and announced that this was the Annual 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

April 26, 2016 Authority Meeting

Minutes for the Authority’s April 26, 2018 Authority meeting were distributed for review and approval prior to the meeting. Dr. Kazmir asked for a motion to approve the minutes. Mr. Lovell made the motion. Ms. Ford seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. Dr. Kazmir, Ms. Ford, Mr. Lovell and Ms. Rodriguez voted in the affirmative, Ms. Kralik abstained and the minutes were approved.

2. NEGOTIATED SALE REQUEST

Equipment Revenue Note Program

Dr. Kazmir called on Michael Solidum to present the details of the Equipment Revenue Note Program annual renewal to the Members.

Mr. Solidum reminded the Members that the Authority's Equipment Revenue Note Program offers borrowers a quick turnaround for financings no greater than \$60 million for the purpose of acquiring equipment or retrofitting a facility for equipment.

According to Mr. Solidum, the Members at prior previous Authority meetings pre-approved the use of a negotiated private placement for financings completed under this Program. A predetermination of this method of sale is permitted under Executive Order #26 and was requested by the Authority's Advisory Panel in order to complete these transactions in a more efficient and timely manner.

Mr. Solidum then directed the Members to the Resolution provided to them for their consideration. The Resolution extends the ability to use negotiated private placements for the Equipment Revenue Note Program through May 31, 2019.

Dr. Kazmir asked for a motion to approve the negotiated sale on behalf of Equipment Revenue Note Program. Mr. Lovell offered the motion. Ms. Ford seconded the motion. Dr. Kazmir asked if the Members had any questions or comments 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. SS-01

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "**RESOLUTION OF INTENT TO ISSUE REFUNDING AND REVENUE BONDS BY A NEGOTIATED SALE IN THE FORM OF A PRIVATE PLACEMENT AND/OR A PUBLIC OFFERING TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26.**"

(attached)

3. AMENDMENT TO THE BOND DOCUMENTS AND NOTE EXCHANGE Penn Medicine Princeton Health

Dr. Kazmir asked Bill McLaughlin to inform the Members about the reasons for the amendments to the Penn Medicine Princeton Health transactions.

Mr. McLaughlin informed the Members that Princeton Healthcare System (the "Borrower"), a New Jersey not-for-profit healthcare system, became an affiliate of the University of Pennsylvania and its operating divisions, including the University of Pennsylvania Health System and Penn Medicine (collectively "UPHS") on January 1, 2018. The Borrower is now doing business as Penn Medicine Princeton Health.

Mr. McLaughlin stated that, in support of this affiliation and as permitted by the terms of the currently outstanding Authority issued financings, the original notes securing the three series of bonds will be replaced by new series notes issued under the UPHS Master Trust Indenture. Currently, Princeton Healthcare System transactions for which promissory notes are being substituted, along with outstanding principal amounts, are Princeton Healthcare System Issue, Series 2016A (\$183,440,000), Princeton Healthcare System Issue, Series 2016B (\$65,000,000), and Princeton Healthcare System Issue, Series 2016C (\$20,000,000) (the “Outstanding Bonds”). The Outstanding Bonds require amendments to the respective loan documents in order to recognize the issuance of substitute promissory notes under the UPHS Master Trust Indenture, and to modify financial covenants and other requirements to conform to terms negotiated between staff and UPHS.

In addition, Mr. McLaughlin said, the staff recommended the following primary changes to the Loan Agreements to be approved by the Authority Members:

1. All of the references to the Princeton MTI, Mortgage and Security Agreement have been deleted and replaced by references to a new note securing the Series 2016A Note, which will be issued under the UPHS Master Trust Indenture, with the UPHS Obligated Group replacing Princeton Healthcare System as the Obligor.
2. All financial reporting and compliance with the Required Ratios will now be determined on the basis of the audited and unaudited financial statements of UPHS.
3. The obligations of the Borrower to file quarterly information on EMMA as well as with the Authority pursuant to Section 6.14 have been revised so that they now match what UPHS does on a quarterly basis, including the fact that the deadline for filing such information is now 60 days after the end of the quarter (rather than 45 days), which is consistent with UPHS’ current obligations.
4. The insurance provisions of Section 6.11 relating to an Accepted Plan and a Captive set forth in Section 6.11(d) and (e) have been modified as agreed to with UPHS and consistent with changes previously approved for RWJ Barnabas Health and Hackensack Meridian Health.
5. Since there will no longer be a mortgage securing the Series 2016A Bonds, Section 6.12 of the original Loan Agreement (Environmental Representations and Covenants of the Borrower) has been deleted.
6. Section 6.17 of the original Loan Agreement (Triggering Events) has been deleted, removing the Authority’s ability to send representatives to UPHS board and committee meetings based on failure to meet certain covenants.
7. The language with respect to the Derivative Agreements in Section 6.18 has been modified and exempts the UPHS Existing Swap Agreements from compliance with those provisions.

According to Mr. McLaughlin, approval of the Resolution of the New Jersey Health Care Facilities Financing Authority Authorizing Certain Amendments to the Documentation Relating to Its Outstanding Revenue Bonds, Princeton Healthcare System Issue, Series 2016A and Other Incidental Actions Related Thereto (the “Series 2016A Resolution”) will allow for the adoption of the First Supplement to the Series Resolution; the approval of the Amended and Restated Loan Agreement; and provides for an Authorized Officer of the Authority to take such action necessary to execute and deliver the amended documents.

Similarly, approval of the Resolution of the New Jersey Health Care Facilities Financing Authority Authorizing Certain Amendments to the Documentation Relating to Its Outstanding Revenue Bonds, Princeton Healthcare System Issue, Series 2016B and Series 2016C and Other Incidental Actions Related Thereto (the “Series 2016B & Series 2016C Resolution”) will allow for the approval of the First Supplemental Trust Agreements; for the approval of the Amended and Restated Loan Agreements; and provides for an Authorized Officer of the Authority to take such action necessary to execute and deliver the amended documents.

Mr. McLaughlin concluded by telling the Members that the Authority staff recommends the approval of the Resolution of the New Jersey Health Care Facilities Financing Authority Authorizing Certain Amendments to the Documentation Relating to Its Outstanding Revenue Bonds, Princeton Healthcare System Issue, Series 2016A and Other Incidental Actions Related Thereto and Resolution of the New Jersey Health Care Facilities Financing Authority Authorizing Certain Amendments to the Documentation Relating to Its Outstanding Revenue Bonds, Princeton Healthcare System Issue, Series 2016B and Series 2016C and Other Incidental Actions Related Thereto.

Mr. McLaughlin then said that he, Mr. Valladares or Bond Counsel would address any questions or concerns the Members may have.

Mr. Hopkins took the opportunity to explain to the Members that Penn Medicine has certain reporting requirements to bondholders that differ from New Jersey, but that the state will still receive their information 45 days after the quarter. In addition, Mr. Hopkins noted several policy changes that he intends to address at the anticipated retreat this fall. Due to all of the mergers, certain existing Authority policies, including the Triggering Events, may no longer be necessary for the larger systems.

Dr. Kazmir asked for a motion to approve the amendment to the bond documents and note exchange on behalf of Penn Medicine Princeton Health. Mr. Lovell offered the motion. Ms. Kralik seconded the motion. Dr. Kazmir asked if the Members had any questions or comments 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. SS-02

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled “**RESOLUTION OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY AUTHORIZING CERTAIN AMENDMENTS TO THE DOCUMENTATION RELATING TO ITS OUTSTANDING REVENUE BONDS, PRINCETON HEALTHCARE SYSTEM ISSUE, SERIES 2016A AND OTHER INCIDENTAL ACTIONS RELATED THERETO.**”

(attached)

Dr. Kazmir asked for a motion to approve the second amendment to the bond documents and note exchange on behalf of Penn Medicine Princeton Health. Mr. Lovell offered the motion. Ms. Kralik seconded the motion. Dr. Kazmir asked if the Members had any questions or comments 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. SS-03

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled “**RESOLUTION OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY AUTHORIZING CERTAIN AMENDMENTS TO THE DOCUMENTATION RELATING TO ITS OUTSTANDING REVENUE BONDS, PRINCETON HEALTHCARE SYSTEM ISSUE, SERIES 2016B AND SERIES 2016C AND OTHER INCIDENTAL ACTIONS RELATED THERETO.**”

(attached)

4. OLD BUSINESS/NEW BUSINESS

- a. Election of Officers
- b. Approval of 2018/2019 Calendar

Dr. Kazmir announced that the May meeting serves as the Authority’s Annual Meeting and therefore, the Members were required to elect officers and approve meeting dates for the upcoming year. Dr. Kazmir asked for nominations for the offices.

a. Election of Officers

Robin Ford made the following nominations:

Officers of the Authority

Vice Chair	Dr. Munr Kazmir
Secretary	Suzette Rodriguez
Assistant Secretaries	Carole Conover Ron Marmelstein (vacant)
Treasurer	Suzette Rodriguez
Assistant Treasurer	(vacant)

Authority Finance Committee

Chairman	Suzette Rodriguez
Members	Dr. Munr Kazmir Suzette Rodriguez (vacant)
Alternate Member	(vacant)

Authority Evaluation Committee

Chairman	Suzette Rodriguez
Members	Suzette Rodriguez Dr. Munr Kazmir (vacant)

Ms. Ford also nominated the *ex-officio* Members from the Department of Health and Department of Banking and Insurance – or their designees – and a representative from Treasury to serve on the Audit Committee.

According to the Authority’s enabling legislation, Shereef Elnahal, M.D., as Commissioner of Health, will remain as Chair.

Dr. Kazmir asked if there were any other nominations. There were none.

Ms. Ford’s nominations were seconded by Ms. Rodriguez. Dr. Kazmir asked if there were any questions on the motion. There were no questions. Dr. Kazmir called for a vote. The vote was unanimous and the motion carried.

Dr. Kazmir noted that the terms of the Authority’s elected officers begin immediately following the Governor’s ten-day veto period, barring any veto notification from the Governor’s Office.

AB RESOLUTION NO. SS-04

WHEREAS, with respect to the Authority's elected official positions, one of the three Assistant Secretary roles and the role of Assistant Treasurer will remain vacant and may be filled at a later date with the appointment of new Authority Members,

NOW, THEREFORE, BE IT RESOLVED, that the following individuals are hereby elected to serve in the official positions noted until May 23, 2019, or until the next election of officers:

Vice Chair – Dr. Munr Kazmir

Secretary – Suzette Rodriguez

Assistant Secretaries –Carole Conover and Ron Marmelstein

Treasurer – Suzette Rodriguez

BE IT FURTHER RESOLVED, that the Authority's Finance Committee will be chaired by Suzette Rodriguez with Dr. Munr Kazmir serving as Committee member.

BE IT FURTHER RESOLVED, that the Authority's Evaluation Committee will be chaired by Suzette Rodriguez with Dr. Munr Kazmir as Committee member.

BE IT FURTHER RESOLVED, that the Authority's Audit Committee consists of the ex-officio Members from the Department of Health and Department of Banking and Insurance – or their designees – and a representative from Treasury.

b. 2018/2019 Calendar

Dr. Kazmir referenced a proposed list of dates on which to conduct meetings of the Authority and its Finance Committee for the coming year. Ms. Ford offered a motion to adopt the schedule. Ms. Kralik seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. Dr. Kazmir called for a vote. The vote was unanimous and the motion carried.

AB RESOLUTION NO. SS-05

NOW THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the following schedule of dates on which to conduct meetings of the Finance Committee and the Authority; and,

BE IT FURTHER RESOLVED, that, as provided by the provisions of the Open Public Meetings Act and the Authority's By-laws, the Assistant Secretary is authorized to provide notice of these meeting dates to the Authority's designated newspapers, to post notice in the Authority offices and on the Authority's website, and provide notice to the Secretary of State.

FINANCE 10:00 a.m.	AUTHORITY* 10:00 a.m.
2018	2018
Tuesday, June 12	Thursday, June 28
Tuesday, July 10	Thursday, July 26
Tuesday, August 7	Thursday, August 23
Tuesday, September 11	Thursday, September 27
Tuesday, October 9	Thursday, October 25
Wednesday, November 7	Thursday, November 15
Tuesday, December 4	Thursday, December 20
2019	2019
Tuesday, January 8	Thursday, January 24
Tuesday, February 12	Thursday, February 28
Tuesday, March 12	Thursday, March 28
Tuesday, April 9	Thursday, April 25
Tuesday, May 7	Thursday, May 23**

*A Finance Committee meeting has also been scheduled immediately following every Authority meeting.

**Annual Meeting

Dr. Kazmir noted for the record that, unless advertised to the contrary, all meetings are open to the public and shall be held in the Authority's office on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey. She added that the Authority's staff will perform the required public announcement and notification of the meeting dates once the Governor's ten-day veto period has passed.

5. RESOLUTION OF APPRECIATION

Cliff Rones

Dr. Kazmir informed the Members that Cliff Rones, the Deputy Attorney General assigned to the Authority is retiring. He then asked Executive Director Mark Hopkins to read a Resolution of Appreciation for Mr. Rones.

Dr. Kazmir asked for a motion to approve the Resolution of Appreciation for Mr. Rones and present a copy of said resolution to him. Ms. Ford 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. SS-06

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled “**RESOLUTION OF APPRECIATION FOR CLIFFORD T. RONES, D.A.G.** as the Attorney General’s representative to the Authority and thanks him for him service.”

(attached)

6. APPROVAL OF EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Mr. Lovell 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 to approve the bills and to authorize their payment.

AB RESOLUTION NO. SS-07

WHEREAS, the Members of the Authority have reviewed the memoranda dated May 16, 2018 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$17,500.00 and \$1,620.90 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.

7. STAFF REPORTS

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

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

Mr. Hopkins reported the following:

1. Mr. Hopkins thanked the Authority Members and Senior Staff all of whom filed their Financial Disclosure Statements with the State Ethics Commission by the deadline of May 15, 2018.
2. The Audit Committee Members, Ms. Ford, Ms. Kralik and Mr. Feeney, are advised that there will be an Audit Committee meeting on Tuesday, June 12 at 10:00 a.m. here to discuss finalizing the audit with the auditors.
3. Hospital & Other News
 - a. Community Healthcare Associates, LLC ("CHA"), has filed an application with the Department of Health to acquire The Memorial Hospital of Salem County from Community Health Systems, a for-profit hospital system with 126 hospitals in 20 states. CHA previously acquired three closed hospitals in New Jersey: Barnert in Paterson, Greenville in Jersey City and William B. Kessler in Hammonton. They are also in the process of acquiring Muhlenberg in Plainfield. CHA converted them all to medical arts complexes providing ambulatory and outpatient health care services but not inpatient acute care. Nevertheless, CHA intends to continue to operate The Memorial Hospital of Salem as a nonprofit inpatient acute care hospital, perhaps with fewer beds, and have some outpatient and ambulatory services operated by separate for-profit entities. Returning nonprofit status to the hospital may enable it to receive financial support from the Salem Health and Wellness Foundation that has \$60 million in assets that were initially funded from the original sale of the then nonprofit Salem in 2002 to the for-profit Community Health Systems. CHS previously tried to sell Salem to the Prime Healthcare Foundation, but the sale fell through at the last minute. Inspira had also entered into a letter of intent to acquire Salem but has not pursued the purchase.
 - b. Virtua Health is seeking to add 13 ambulatory surgery centers throughout the state. They are negotiating with independent physicians and networks of physicians for the centers that provide low-acuity surgeries that do not require a hospital setting.
 - c. Hackensack Meridian Health's co-CEOs Robert Garrett and John Lloyd recapped HMMH's 2017 at its annual meeting, including the acquisition of JFK Health

System and the soon-to-open medical school. Also discussed was John Lloyd's planned retirement at the end of the year and the promotion of Ray Fredericks, former JFK Health CEO, to President of HMH's Central Region that includes JFK, Raritan Bay and Riverview Hospitals.

- d. The New Jersey Innovation Institute at NJIT announced that Hackensack Meridian Health has joined its Cell and Gene Therapy Development Center to access the center's process development and clinical manufacturing capabilities.
- e. The HOPE Tower at Hackensack Meridian Health's Jersey Shore University Medical Center in Neptune is scheduled to open soon. The ten-story, 265,000 square foot facility is solely for outpatient use.
- f. University Hospital in Newark has applied to reduce the number of pediatric beds it has, looking to consolidate most of Newark's existing pediatric beds at Newark Beth Israel's The Children's Hospital of New Jersey. Concerns have been raised, however, how the move might affect University Hospital's standing as a Level 1 Trauma Center and as a teaching hospital.
- g. AtlantiCare, part of Geisinger Health, has inked a deal with Advocate, South Jersey's largest multispecialty physician network, to jointly operate urgent care centers throughout New Jersey.
- h. A number of New Jersey health care systems, including Hackensack Meridian Health, Hunterdon Healthcare, RWJBarnabas Health and Virtua Health, have signed up with ride-sharing services like Lyft and Uber to transport non-emergency patients for health care services at their facilities.
- i. Geisinger is integrating machine learning into reading CT scans to diagnose intracranial hemorrhages 96% faster by prioritizing the most urgent CT scan results for radiologists. Geisinger is also providing free DNA sequencing for patients. The results will become part of the MyCode Community Health Initiative's database that began in 2013 and is in partnership with Regeneron Pharmaceuticals to provide earlier detection of conditions like cancer and heart disease.
- j. Virtua Memorial Hospital in Mount Holly recently completed a project with medical device integration and analytics company Bernoulli to test whether real-time medical device data could accurately identify patients at-risk for post-operative respiratory depression.
- k. In ratings news:
 - i. Moody's assigned an "A3" rating to St. Luke's University Health Network's \$150 million in 2018 A & B Bonds issued through the

Northampton County General Purpose Authority. The outlook is stable. St. Luke's is the parent of St. Luke's Warren Hospital in Phillipsburg, NJ.

- ii. Moody's also released a Sector In-Depth article on Not-for-Profit and Public Healthcare entitled "Flexibility, integrated planning key to the healthcare system of the future."

In State Health Care News:

- l. Clover Health, a Medicare Advantage start-up health insurer co-founded by CarePoint founder Vivek Garipalli, is launching an in-home primary care service for New Jersey's most at-risk Medicare beneficiaries.
- m. The New Jersey Hospital Association released its annual report for 2016 indicating that New Jersey hospitals provided \$2.3 billion in free and discounted care for the poor and uninsured and another \$600 million for population health in their communities.
- n. Becker's Healthcare named its list of 100 great hospitals in America for 2018. Hackensack University Medical Center and Morristown Medical Center were both named to the list. Out-of-state hospitals with New Jersey affiliates named to the list were Geisinger Medical Center, which is affiliated with AtlantiCare, the Hospitals of the University of Pennsylvania-Penn Presbyterian, which is affiliated with Princeton Healthcare System, and Thomas Jefferson University Hospitals, which is affiliated with the former Kennedy Health System. Becker's Healthcare also named 100 great leaders in healthcare for 2018, including locally: Robert Garrett, co-CEO of Hackensack Meridian Health, David Feinberg, CEO of Geisinger, Stephen Klasko, CEO of Thomas Jefferson University and Jefferson Health and Ralph Muller, CEO of the University of Pennsylvania Health System.
- o. The Leapfrog Group released its 2018 Maternity Care Report this month, which found that New Jersey had higher than necessary use of caesarian sections and episiotomies, which can lead to complications. According to a 2015 study published in The Lancet, the United States has the highest rate of maternal mortality of any developed country.
- p. Other articles on New Jersey health care provided today include:
 - i. State Health Commissioner Shereef Elnahal met with the Senate Budget Committee on May 15th to present the Department of Health's budget, discussing priorities such as improvements to programs that distribute hospital funding, addressing opioid addiction, reducing racial health disparities and providing integrated care for the State's most vulnerable residents;

- ii. Governor Murphy has ordered the Department of Banking and Insurance to take over management of the State's health insurance exchange under the Affordable Care Act, replacing the federal government's management of the exchange;
- iii. The Assembly Human Services Committee approved a bill to establish specific staff-to-patient ratios for Certified Nursing Assistants at New Jersey nursing homes;
- iv. The 2018 New Jersey Health Care Stakeholders Summit was held at the New Jersey Hospital Association's Princeton headquarters late last month, it addressed common issues facing health care stakeholders and included the CEOs of the New Jersey Hospital Association, the Medical Society of New Jersey, the Association of Health Plans and the Healthcare Institute of New Jersey (representing pharmaceutical companies);
- v. The Department of Health and Department of Human Services are determined to address the nearly four times more maternal deaths in black women compared to white women and more than three times more infant deaths in black newborns compared to white newborns; and
- vi. City Health Dashboard, created by the Department of Population Health at the NYU School of Medicine, is an online tool to compare health care data among 500 national communities, including New Jersey's nine largest cities.

In National Health Care News, articles are included on:

- q. The absurdity of American health care pricing from Vox, noting the widely varying health care prices from facility to facility for the same service.
- r. The barriers state health departments face from the government in establishing interoperability to harness health care data analytics to inform policy and improve outcomes for large populations.
- s. The success of the Blue Cross Blue Shield Association's value-based care initiative called the Blue Distinctive Total Care program, in reducing emergency room visits and hospitalizations.
- t. UnitedHealthcare is similarly claiming success with its bundled care model of value-based care, which it says improved health and reduced costs.
- u. Other articles on national health care news include:

- i. Increase in the use of virtual care for primary care and quick patient consultations, noting Kaiser Permanente and UnitedHealthcare are the larger pioneering users of the services;
 - ii. More doctors, especially young ones, are turning to hospitals for employment rather than solo or small group practices largely as a result of the increasing trend toward value-based payment models and population health;
 - iii. The Centers for Medicare and Medicaid Services is urging hospitals to disclose their prices and is proposing changes to its payments for meaningful use of electronic medical records, a related article identifies some problems with hospitals disclosing their prices;
 - iv. Modern Healthcare reports that a Leavitt Partners survey found that more than half of doctors did not think they or insurance companies were responsible to address patients' social determinants of health despite nearly half of the doctors acknowledging that their patients would benefit from food assistance, affordable housing and transportation to appointments;
 - v. A paper by the Commonwealth Fund found that hospitals that dominate in their marketplace are able to demand on average 12.5% more from insurer contracts than those in markets with four or more hospitals; and
 - vi. Fitch points to acquisition of HCR ManorCare's real estate and operations by Welltower and ProMedica Health System's out of bankruptcy as emblematic of the importance of skilled nursing in vertical integration of health care, despite the deteriorating profitability in the skilled nursing sector.
- v. In regulatory, municipal bond and tax news, articles are being provided on:
- i. At its May meeting the Federal Reserve kept interest rates unchanged but its minutes, released yesterday, indicate it is likely it will increase rates once again in June;
 - ii. Insurers, a key buyer in the municipal bond market, have reduced their holdings in state and local municipal bonds as a result of the reduction of the corporate tax rate from 35% to 21%;
 - iii. On the other hand, banks may be more inclined to invest in municipal bonds as a result of a bill passed by Congress this week and expected to be signed by the President, that will now recognize investment grade rated municipal bonds as High Quality Liquid Assets, which qualify for required bank Liquidity Coverage Ratio rules adopted by the Federal

Reserve Board, the Comptroller of the Currency and the Federal Deposit Insurance Corporation for banks in 2014, partially in response to the 2008 banking crisis;

- iv. A consortium of municipal bond issuers and professionals, called the Public Finance Network, is actively lobbying Congress to restore the ability to issue tax-exempt advance refunding bonds which were eliminated by the Tax Cut and Jobs Act; and
- v. The MSRB's EMMA website for municipal bonds is becoming more user-friendly and making it easier for retail investors to learn about municipal bonds.

4. Authority News

- a. Mr. Hopkins informed the Members that Bill McLaughlin attended the Spring Conference of the National Association of Health and Educational Facilities Finance Authorities in Boston last month and would present a brief summary of what transpired:

Mr. McLaughlin reported that the conference was held in Boston, Massachusetts on May 7 and 8. Attendees included tax-exempt bond issuers that specialize in health and educational bonds from around the country, along with a host of other affected professionals.

According to Mr. McLaughlin, the conference opened with a discussion on the Macro-economic outlook of the country. The speaker, Jeffrey Fuhrer of the Federal Reserve Bank of Boston commented on expectations of increasing interest rates for 2018 and 2019. Further, he stated that the wealth gap creates real long-term risks to the national economy.

The next discussion was led by Kenneth Rodgers of S&P Global Ratings. He stated that ratings trends are stable overall with cash continuing to grow. He further said that he expected the mergers and acquisition trend to continue and that the median rating for hospitals was still in the "A" category.

Mr. McLaughlin said that, according to the presenters, the current state of the health care finance market is in flux as the market adjusts to the elimination of advance refunding transactions. Advance refundings represent 26% of total amounts outstanding and 29% of all transactions had an advance-refunding component. Alternatives, including, forward delivery bonds and tender offers were discussed. It is expected that variable rate and letter of credit-backed transactions will make a comeback in the short-run. The flat yield curve continues to foster interest in taxable financings. Many issuers commented that issuing volume was

down significantly from 2017 due to the fourth quarter rush fueled by the then pending tax law changes.

In the final session, Mr. McLaughlin noted that the Washington update focused on the impact of the tax law changes and NAHEFA's reaction to the process. Comments included that many of the members of congressional staffs did not even know what we did or how tax-exempt funding is used. Their focus was on limiting college access as they referred to them as "liberal incubation chambers." It was suggested that Members send copies of their respective annual reports to members of their state's congressional delegation.

- b. Mr. Hopkins said that he and Frank Troy attended the 19th Annual Not-for-Profit Health Care Investor Conference, sponsored by Citibank, the American Hospital Association and the Healthcare Financial Management Association, in New York City. They saw presentations by New Jersey health systems RWJBarnabas Health and Virtua Health, as well as out-of-state systems with a New Jersey presence, Geisinger and Trinity Health and several other systems from neighboring states and around the country. Each presenting system provided written standard pro-forma financial and credit information and made presentations on the initiatives they are undertaking in the ever-evolving health care landscape. After their presentations, the health systems adjourned to break out rooms to answer questions from the institutional investor community. Additionally, Mr. Hopkins and Mr. Troy spoke to several health care analysts for the purchasers of our bonds from organizations such as BlackRock, Eaton Vance, Prudential and Vanguard.
- c. Mr. Hopkins enclosed an article on Sue Tonry, the Authority's former Assistant Director of the Division of Research, Investor Relations and Compliance, who after fighting off leukemia formed the nonprofit Quilts for Comfort that makes and donates quilts for those facing long-term hospitalizations for blood cancer treatment.
- d. Missed last month, Taryn Rommell, the Authority's Assistant Director of the Division of Research, Investor Relations and Compliance celebrated her tenth anniversary at the Authority in March; and,
- e. Diane Johnson, the Authority's Senior Assistant Account Administrator is celebrating her twenty-fifth anniversary with the Authority today.

Mr. Hopkins concluded by making some personnel remarks about his long-time working relationship and friendship with Mr. Ronese and wished him the best.

Mr. Ronese thanked the Members and said that it has been his privilege to work with the Authority because of all the good that it does.

As there was no further business, following a motion by Ms. Ford and a second by Ms. Kralik, the Members voted unanimously to adjourn the meeting at 10:55 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
MAY 24, 2018.

Carole A. Conover, Assistant Secretary