

Minutes of the New Jersey Health Care Facilities Financing Authority Meeting held on July 26, 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; Marcela Ospina Maziarz, Designee of the Commissioner of Health; Greg Lovell, Designee of the Commissioner of Human Services; Maryann Kralik, Designee of the Commissioner of the Department of Banking and Insurance; and, via telephone, Suzette Rodriguez, Public Member

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

Mark Hopkins, Frank Troy, Carole Conover, Bill McLaughlin, Alpa Patel, Edwin Fuentes, Ellen Lieber, John Johnson, Bernie Miller and Chris Kniesler

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

Aimee Manocchio Nason, Attorney General's Office; Brian Wilton, Governor's Authorities Unit (arrived at 10:13 am.)

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:04 a.m. and announced that this was a regular Meeting of the Authority, held in accordance with the schedule adopted at the May 24, 2018 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 June 28, 2018 Authority Meeting

Minutes for the Authority's June 28, 2018 Authority meeting were distributed for review and approval prior to the meeting. Dr. Kazmir asked for a motion to approve the minutes. Ms. Maziarz made the motion. Mr. Lovell seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. All Members voted in the affirmative and the minutes were approved.

2. POLICY ADOPTION Reduce the number of meetings required for the bond approval process

Dr. Kazmir called on Mark Hopkins to explain the policy change to the Members.

Mr. Hopkins began by explaining that the New Jersey Health Care Facilities Financing Authority (the "Authority") has a practice of requiring a three (3) meeting process for issuing new money

bonds by a negotiated sale: one meeting for considering the negotiated sale request; a second meeting to receive an informational presentation about the project and financial projections; and a third meeting to consider a contingent bond sale. At the request of borrowers, the Authority Senior Staff reviewed the implications of reducing the three meeting process down to two meetings: one for a negotiated sale request and the second for considering the contingent bond sale.

According to Mr. Hopkins, Senior Staff believes reducing the process to two meetings will not in any significant way reduce the opportunity for staff and Authority Members to vet the project and the financing. It will also provide an additional benefit to the Authority's borrowers by shortening their time to market, thereby reducing the chance of significant market fluctuation. In order to ensure ample opportunity to vet the project and the financing, Senior Staff will expect the borrower to make its informational presentation, including the project description and financial projections, at the first meeting, when a negotiated sale presentation, if requested, takes place. However, Senior Staff understands that circumstances for financings vary; therefore, it recommends that if an informational presentation cannot be timely made at the meeting with the negotiated sale request, Authority Members, upon Senior Staff's recommendation, may allow the informational presentation to be made at the meeting when the contingent bond sale is considered.

Mr. Hopkins offered to answer the members' questions. There were no questions.

Dr. Kazmir asked for a motion to adopt the resolution amending the Authority's policy and reduce the number of meetings required to approve new money bonds from three (3) meetings to two (2) meetings. Ms. Maziarz 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-14

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution amending the Authority's policy and reduce the number of meetings required to approve new money bonds from three (3) meetings to two (2) meetings.

3. APPROVAL OF EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Mr. Lovell made the motion to approve the expenses. Ms. Maziarz 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-15

WHEREAS, the Members of the Authority have reviewed the memoranda dated July 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 \$17,370.00 and \$51,582.94 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, and Legislative Advisory reports.

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

Mr. Hopkins reported the following:

1. Marlene Caride was sworn in as Commissioner of Banking and Insurance on June 27. Commissioner Caride serves as an ex-officio member of the Authority. Prior to becoming Commissioner, she was an Assemblywoman of the 36th District and was a partner in a law firm.
2. The New Jersey Department of Health and the Rutgers Cancer Institute of New Jersey have been chosen to participate in a statewide cancer surveillance and population-based epidemiological cancer research study of prostate cancer among African-American men.
3. Hospital & Other News
 - a. On July 24, Rutgers and RWJBarnabas Health finalized the partnership they announced a year ago. RWJBarnabas has agreed to provide \$1 billion to the partnership over 20 years to hire new faculty and researchers as well as to imbed Rutgers' medical students in RWJBarnabas health care facilities. The partnership will include a joint medical group from RWJBarnabas' existing doctors and Rutgers Health. It is expected to help double federal research funding and grow residency and fellowship programs that will improve clinical outcomes.
 - b. RWJBarnabas Health has acquired a 36-acre portion of the former Fort Monmouth complex to build an ambulatory care center, a Rutgers Cancer Institute of New Jersey Cancer Center, a medical office building, and more.

- c. RWJBarnabas Health also signed a letter of intent to partner with Middlesex County to manage the county's two palliative care facilities in Edison and Old Bridge.
- d. The Visiting Nurse Association of Central New Jersey is planning to open a federally qualified health center in Freehold. Primary and specialty care will be provided by CentraState Health System's Family Medicine Residency Program and sponsored by the Rutgers Robert Wood Johnson Medical School. The Robert Wood Johnson Foundation will provide funding for a portion of the facility for VNA administrative offices and its Children and Family Health Institute's headquarters.
- e. Hackensack University Medical Center and UnitedHealthcare are offering a bundled payment option to United's patients in need of knee, hip and spine procedures.
- f. Virtua Health has put in service a new Pediatric Mobile Services Van that brings free developmental and dental screenings to children in need, as well as providing education on lead poisoning. The project is funded by a \$1 million donation from the Joseph Lacroce Foundation.
- g. Hackensack Meridian Health's Bayshore Hospital has started using the advanced robotic da Vinci Si Surgical System.
- h. Inspira Health Network Innovation Fund and Rowan University jointly granted \$20,000 in seed money to three health care entrepreneurs.
- i. University Hospital has withdrawn its application to move over 80% of its pediatric beds to Newark Beth Israel Medical Center. The proposed move had drawn criticism from the Mayor, community and organized labor.
- j. Community Healthcare Associates, through a subsidiary, completed its acquisition of the former Muhlenberg Regional Medical Center in Plainfield from JFK Health System (now a part of Hackensack Meridian Health). The site will house an 186,000 square foot medical arts complex and 120 luxury residential apartments.
- k. Joseph Scott, the CEO of RWJBarnabas' Jersey City Medical Center, has been named the chair of the board of America's Essential Hospitals, which represents more than 325 hospitals and health systems that ensure high-quality care for all, including the vulnerable.

- l. The P.G. Chambers School, an Authority borrower, has named Patricia Sly as its new Executive Director, replacing Susan Seamans, who served over 25 years at the helm of the school.
- m. St. Joseph’s University Medical Center in Paterson had the third most emergency room visits in the country in 2017, at 157,204.
- n. Geisinger, which owns AtlantiCare Health System, and St. Luke’s University Health Network, which owns St. Luke’s Warren Hospital, have broken ground on their new joint venture 80-bed hospital in Orwigsburg, Pennsylvania. The hospital is expected to open in the fourth quarter of 2019.
- o. In ratings news:
 - i. Fitch downgraded the rating of \$254 million of Authority bonds issued on behalf of University Hospital from “BBB” to “BB-” with an outlook of stable. The downgrade was largely due to Fitch’s new ratings criteria that emphasized University Hospitals’ \$552.1 million in pension liabilities. Articles on other Fitch downgrades are included.
 - ii. S&P Global Ratings released its 2017 vs. 2016 Not-For-Profit Health Care Median Financial Ratios on July 17.

4. In State Health Care News:

- p. The passage of the State budget just prior to the July 1, 2018 deadline held good news and bad news for hospitals. The formerly frozen June Charity Care and Graduate Medical Education payments to hospitals has been unfrozen, but State Medicaid payment reforms reduced reimbursement for emergency room services that are non-urgent from an average of \$291 to \$140.
- q. The New Jersey Hospital Association is working with hospitals to test the use of software, used in 17 other states, that tracks patients’ histories and flags suspect behaviors as well as speed response time. The software has led to reduced opioid prescriptions and prevented unnecessary or improper care.
- r. New Jersey is forecast to have a nurse shortage of 11,000 by 2030 due to retirement of older nurses and lack of nursing professors.
- s. New Jersey is seeing a surge in high-tech companies providing transportation services to health care facilities. In addition to hospitals partnering with established car service providers like Uber and Lyft, a Philadelphia-based start-up, Roundtrip, is working with more than a dozen New Jersey hospitals.

- t. An extensive article from New Jersey Advance Media looks at how Horizon Blue Cross and Blue Shield of New Jersey determined which hospitals it included in Tier 1 of its controversial OMNIA tiered health insurance plan.
5. In National Health Care News articles are included on:
- u. A new survey of physicians and health plan executives by Quest Diagnostics finds the United States health system has made little progress on value-based health care.
 - v. This year's annual Healthcare Financial Management Association conference stressed the urgency of providers switching to value-based care models, noting health care costs will continue to rise at an unsustainable pace without value-based care.
 - w. Doctors worry that proposed reductions by the Centers for Medicare and Medicaid Services (CMS) of Medicare incentive payments for doctors who meet certain quality thresholds will slow the progress toward value-based care.
 - x. Experts testifying before the Senate Health, Education, Labor and Pensions Committee urged legislators to continue to push for value-based care models in order to lower costs.
 - y. A Modern Healthcare study shows physician-related costs are not significantly harming hospitals' financials and have helped some, despite some reports to the contrary.
 - z. In national health care news, articles are being provided on:
 - i. The Astonishingly High Administrative Costs of U.S. Health Care (The New York Times);
 - ii. Only 63% of hospitals share data with facilities treating the same patients (Becker's Hospital Review);
 - iii. Digital health tech companies have overlooked one major flaw, patients hate going to the doctor and despite digital monitoring helping patients identify problems before they become serious, they don't address patients who are already sick and need to see a doctor (CNBC);
 - iv. CMS made a series of suggestions to expand telehealth in its latest Medicare Physician Fee Schedule and Quality Payment Program, including a \$14 reimbursement for video or audio patient check-ins (Becker's Hospital Review);

- v. A survey of hospital administrators show inpatient volumes continue to slump while ambulatory surgery center volumes are growing (Modern Healthcare);
 - vi. A survey by the Advisory Board Co. discovered that cost control is the top priority for health system executives (Modern Healthcare);
 - vii. Hospitals are pursuing more diverse forms of alliances, such as joint ventures and affiliations, after two recent mega-mergers collapsed (Modern Healthcare);
 - viii. The New York Times reported healthcare mergers and acquisitions doubled in the first half of 2018 (HealthcareDive);
 - ix. According to a study by the Journal of the American Medical Association, fewer Americans are spending their final days in the hospital, preferring to die at home (The Los Angeles Times);
 - x. UnitedHealth's national accountable care organization, NexusACO, is expected to double in size by the end of 2019 (HealthcareDive);
 - xi. CMS largely defended its controversial star-rating program of hospitals and is opting to make only minor changes in response to industry criticism (HealthcareDive); and
 - xii. Amazon has announced its plans to acquire the online pharmacy PillPack and is also reportedly working with start-up Xealth to launch a service for doctors at major health systems to arrange for home delivery of recommended medical products to their patients (HealthcareDive).
- aa. In regulatory, municipal bond and tax news, articles are being provided on:
- i. The Municipal Securities Rulemaking Board (MSRB) is seeking comments on revised proposed amendments to its rules on primary offering practices and related disclosures (The Bond Buyer);
 - ii. Electronic trading platforms and the resulting increased transparency are credited with reducing the spreads on trades of municipal bonds in the secondary market from 153 basis points in 2005 to 73 basis points in 2018, effectively reducing the mark-up made by bond dealers (The Bond Buyer);
 - iii. New features of the MSRB's EMMA website provide market trend information (The Bond Buyer);

- iv. Dodd-Frank reforms have resulted in higher credit ratings on municipal bonds, fewer downgrades and lower bond yields according to a research paper released by the Brookings Institution this month (The Bond Buyer); and
- v. An academic study examined the role of municipal advisors in the municipal bond market since Dodd-Frank, finding municipal advisors only advise issuer clients on selection of an underwriter less than 15% of the time but provide advice on issuance 66% percent of the time (The Bond Buyer).

6. In Authority News

- a. Mr. Hopkins reported that at a recent investors' conference, he and Frank Troy met with some of the Authority's investors. It was suggested that the Authority hold its own institutional investors' conference and include hospital executives. Mr. Hopkins intends to make the proposal for either the 4th Quarter of this year or the 1st Quarter of 2019. Mr. Hopkins also told the Members that he would also be proposing an Authority retreat to occur after the investors' round table.

As there was no further business, following a motion by Mr. Lovell and a second by Ms. Maziarz, the Members voted unanimously to adjourn the meeting at 10:25 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
JULY 26, 2018.

Carole A. Conover, Assistant Secretary