

Minutes of the New Jersey Health Care Facilities Financing Authority Meeting held on October 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; Robin Ford, Designee of the Commissioner of Health; Greg Lovell, Designee of the Commissioner of Human Services; and, Suzette Rodriguez, Public Member (via telephone)

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

Mark Hopkins, Frank Troy, Ron Marmelstein, Bill McLaughlin, Carole Conover, Alpa Patel, Edwin Fuentes

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

Brian McGarry, Attorney General's Office; and Lauren Nathan-LaRusso, Governor's Authorities Unit (via telephone)

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:05 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 and August 23, 2018 Authority meetings. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to *The Star-Ledger* and the *Courier Post* and to all newspapers with mailboxes at the Statehouse, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

1. APPROVAL OF MINUTES

September 27, 2018 Authority Meeting

Minutes for the Authority's September 27, 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. Rodriguez 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. Financial Printing Contract Extension

Alpa Patel stated that the three-year contract for the printing of preliminary and final official statements and other related documents for the Authority revenue bonds expires on

October 31, 2018. The contract allows for two additional one-year extensions with all original terms remaining in effect for the extension period. The original contract was awarded to McElwee & Quinn after an RFP process in October 2015. Ms. Patel stated that staff has been pleased with the quality and timeliness of their work and therefore, asked the Members consideration in extending the agreement for the first one-year extension for the period November 1, 2018 through October 31st 2019.

Alpa Patel and Ron Marmelstein offered to answer any questions, and there were none.

Dr. Kazmir asked for a motion for the Members to approve the first one-year extension of the Financial Printing Contract with McElwee & Quinn. Mr. Lovell made the motion. Mr. Ford seconded. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. SS-29

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the first one-year extension allowed under the contract with McElwee & Quinn for printing services for the period of November 1, 2018 through October 31, 2019.

3. Funding of the Other Post Employment Benefits

Dr. Kazmir asked Alpa Patel to explain the funding of the Other Post Employment Benefit Trust to the Members.

Ms. Patel stated that in December 2007, the Authority approved the establishment of an Other Post Employment Benefit Trust also known as an OPEB Trust in order to fund the post-retirement health care benefits plan for qualified employees. As of December 31, 2017, the trust was fully funded from the last deposit made on August 12, 2016. Since the Governmental Accounting Standards Board (GASB) statement on postemployment benefits requires an actuarial study to be conducted every 2 years for employers with less than 100 employees, it was time for a new valuation. The Authority hired Buck Consultants to prepare the valuation for the years ending 2018 and 2019. As you can see in the valuation report, the annual required contribution for 2018 is \$28,112. The new GASB 75 rules state that the results as of December 31, 2019 will have to be provided after the December 31, 2018 municipal bond rates are available. Therefore, the December 31, 2019 results will be provided under separate cover early next year. The Authority estimates the unfunded liability for 2019 to be no more than \$200,000. This amount is anticipated to be carried over from the 2018 budget of \$968,965 to the 2019 budget. To properly fund this liability, staff is recommending the board's approval to deposit \$28,112 to fully fund the

trust through December 31, 2018 and the approval to fully fund the 2019 liability up to \$200,000 once the results are received from Buck Consultants early next year.

Alpa Patel and Ron Marmelstein were available to answer any questions the Members had to which there were none.

Dr. Kazmir asked for a motion for the Members to approve fully funding the Authority's Other Post-Employment Benefit Trust Fund through December 31, 2018 as recommended by staff and the approval to fully fund the 2019 liability up to \$200,000 once the results are received from Buck Consultants early next year. Mr. Lovell made the motion. Ms. Rodriguez seconded. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. SS-30

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves fully funding the Authority's Other Post-Employment Benefit Trust Fund through December 31, 2018 as recommended by staff and fully funding the 2019 liability up to \$200,000 once the results are received from Buck Consultants early next year.

4. APPROVAL OF EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Ms. Ford made the motion to approve the expenses. Ms. Rodriguez 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-31

WHEREAS, the Members of the Authority have reviewed the memoranda dated October 17, 2018 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$38,349.50 and

\$13,108.18 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.

5. STAFF REPORTS

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

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

Mr. Hopkins reported the following:

1. All Authority Members are reminded that in accordance with Executive Order #41 (Codey 2005) they must complete by November 19th online ethics training from the State Ethics Commission. The training is offered at www.nj.gov/ethics/training. Go to the link "Online Training Modules" and choose "Special State Officer Training Module." Once complete you will need to enter your name and select NJHCFFA from the pull down menu of agencies. You will receive an e-mail confirming your completion of the training. Please forward that to me so that I may report it to the Authorities Unit.

2. There will be an Audit Committee meeting on October 29th at 10:00 a.m. to discuss whether to recommend the Authority Members at the November meeting extend the contract with the Authority's auditor, Mercadian, for the first of two possible one year extensions.

3. The Finance Committee meeting to discuss the proposed 2019 Authority budget, originally scheduled for immediately after this meeting, has been postponed until Wednesday, November 7, 2018 at 10:00 a.m.

4. Hospital & Other News

a. Saint Peter's University Healthcare System has issued a request for proposals to find a strategic partner or affiliate to help it remain a competitive and effective health care provider while retaining its Catholic mission and identity.

b. On October 15th, Inspira announced that it is planning to expand its Vineland hospital by 56,000 square feet by adding two new floors including a Medical

Surgical Acute Care Unit and 36 patient rooms. The \$34 million cost will be partially funded by a gift from Southern Oncology Hematology Associates.

c. Atlantic Health System has signed a definitive agreement to partner with Coordinated Health on an ambulatory surgery center in Lopatcong Township, Warren County, New Jersey. The facility is expected to open in November and house outpatient surgery in dentistry, ophthalmology, general surgery, gastroenterology, orthopedic surgery, pain management, plastic surgery, podiatry and urology. Coordinated Health is a for-profit integrated health care network headquartered in Pennsylvania with 18 facilities in eastern Pennsylvania and western New Jersey.

d. Joseph Scott, the former CEO of Jersey City Medical Center has become a full-time Executive Vice President of the Office of Healthcare Transformation at parent RWJBarnabas Health after splitting his time between the two roles over the last year. By focusing full-time as Executive Vice President, Mr. Scott will lead RWJBarnabas' population health, strategic initiatives and business development efforts. Michael Prilutsky was installed as the new CEO of Jersey City Medical Center on October 1st. Mr. Prilutsky joined Jersey City Medical Center as Chief Operating Officer in 2016 after serving in leadership positions at Montefiore Health System, Northwell Health and Beth Israel Hospital in New York City.

e. Jersey City Medical Center also announced that it had reached an agreement to pay Jersey City \$550,000 in lieu of property taxes per year for the next six years after the city appealed Jersey City Medical Center's property tax exemption.

f. Hackensack University Medical Center's 300,000 square foot, \$714 million expansion is on schedule according to recent statements from Hackensack Meridian Health's Co-CEO Robert Garrett. The expansion, known as the Second Street Tower, will add 200 private rooms, 50 intensive care beds and 24 high-tech operating rooms. Groundbreaking is expected to take place in the first half of 2019 with completion expected by 2022.

g. Hackensack Meridian announced earlier this month that it was restructuring its organization by creating three regions: North, Central and South. Dr. Ihor Sawczuk, formerly president of Hackensack University Medical Center, will be the President of the North Region. Ray Fredericks, formerly CEO of JFK Health System, will be the President of the Central Region. Dr. Kenneth Sable, formerly President of Jersey Shore University Medical Center, will be the President of the South Region. As a result of the promotion of the three to regional Presidents, Mark Sparta will become the President of Hackensack University Medical Center, Scott Gebhart will become President of JFK Medical Center and Andrew Smithson will become President of Jersey Shore University Medical Center. Hackensack Meridian also announced that there would be care transformation leaders, including Carrier Clinic CEO Don Parker, once the merger between the two is finalized.

h. As a result of undisclosed settlements, CentraState and Valley Hospital have agreed to withdraw as plaintiffs in litigation against Horizon Blue Cross Blue Shield of

New Jersey over their exclusion as Tier One hospitals in Horizon's OMNIA insurance product. Seven hospitals originally brought the suit against Horizon in 2015, none remain. However, Saint Peter's University Hospital still has a separate suit against Horizon challenging its Tier 2 designation under the OMNIA plan.

In Ratings News:

i. S & P Global ratings revised its outlook on approximately \$55.3 million in bonds issued by the Authority on behalf of Holy Name Medical Center in 2010 upward from Negative to Stable. The rating is "BBB."

j. S & P assigned an "AA+" rating to \$175 million in bonds being issued by the Pennsylvania Higher Educational Facilities Authority on behalf of the University of Pennsylvania and affirmed the "AA+" rating on all other fixed-rate bonds outstanding on behalf of the University, with an outlook of Stable. U Penn is the parent of Princeton Medical Center.

k. Moody's Investors Service similarly assigned an "Aa1" rating to \$175 million in bonds being issued by the Pennsylvania Higher Educational Facilities Authority on behalf of the University of Pennsylvania and affirmed the "Aa1" rating on all other fixed-rate bonds outstanding on behalf of the University, with an outlook of Stable.

l. Moody's affirmed its "Baa2" rating on \$89.6 million of Authority bonds outstanding on behalf of Trinitas Regional Medical Center but revised its outlook downward from Stable to Negative.

m. S & P affirmed its "AA-" rating on unenhanced bonds issued by the Authority on behalf of Virtua Health in 2009 and 2013 as well as its underlying rating of Letter of Credit enhanced bonds, with an outlook of Stable.

n. Moody's also released an "Issuer-in-Depth" paper on Rutgers, the State University, noting that its growing healthcare enterprise enhances its strategic position but comes with some risk.

o. Also included are S & P's Outlook for the U.S. Health Care Sector in the fourth quarter of 2018 (mixed) and Moody's Healthcare Quarterly report.

In New Jersey Health Care News:

p. The New Jersey Association of Health Underwriters held their 10th annual conference on October 5th. Conference panelists and attendees noted improved access to health insurance created by the Affordable Care Act and New Jersey's actions to help preserve the ACA after federal laws and regulations weakened it. However, panelists could not agree how to stem the increase in health care costs.

q. Data compiled by the Health Care Cost Institute at the request of the New Jersey Health Care Quality Institute shows health care costs rose 15% nationwide between 2012 and 2016 and 18% in New Jersey over the same period. New Jersey had the fifth highest per-person spending in the nation in 2016. The data included four insurers doing business in the State but did not include Horizon Blue Cross Blue Shield of New Jersey, which covers approximately 70% of the State.

r. A federal pilot program that provides integrated health care and support services to residents of eight states, including New Jersey, has received a reprieve from a threatened end to funding. Four already participating New Jersey providers and an additional one will receive \$2 million annually from the federal government to integrate behavioral and mental health care, including addiction treatment, for the next three years.

In New Jersey Authority News:

s. In September, Eric Brophy was appointed as Executive Director of the New Jersey Educational Facilities Authority. Mr. Brophy was formerly a partner at Diegnan & Brophy and St. John & Wayne. Sheryl Stitt, who was Acting Executive Director since the retirement of Jeremy Spector 13 months ago, will return to her role as Deputy Executive Director. The NJEFA was recently authorized by State legislation to finance public-private partnerships (also known as P3s).

In National Health Care News:

t. Average premiums for the most commonly purchased Affordable Care Act health insurance plans, known as Silver plans, fell 1.5% on average for 2019 according to the Centers for Medicare and Medicaid Services. From 2016 to 2017 premiums for the Silver plans increased 25% and increased 37% from 2017 to 2018. The slight decrease in 2019 is taken as an indication that the Affordable Care Act plans have stabilized after the increases caused when the administration ended the individual mandate, decreased funding to assist people in enrolling, expanded short-term insurance plans and reduced cost-sharing payments.

u. The Leapfrog Group, which rates hospitals on safety measures twice a year, will start rating ambulatory surgery centers and hospital outpatient surgery departments on a voluntary basis in April of 2019.

v. On October 3rd, Cain Brothers released a commentary on the status of health systems nationwide.

In Tax and Securities Legal and Regulatory News:

w. A commentary in The Bond Buyer criticizes the SEC's changes to Rule 15c2-12, which added a requirement that obligors on municipal bonds disclose: (i) the incurrence of a material financial obligation and (ii) a default or other event under a financial obligation reflecting financial difficulty. The brunt of the criticism is aimed at

SEC's enactment of the rule change before ensuring that obligors are reasonably able to comply with the new requirements.

x. The Treasury and the IRS are working on guidance aimed at preventing havoc in the municipal bond market as a result of the London Interbank Offered Rate ("LIBOR") being phased out as a key benchmark index in 2021. The guidance is intended to provide broad relief from the potential tax problems caused by the phase out, including replacing the index for any particular bond causing a reissuance of the bond under tax law. LIBOR is expected to be replaced by the Secured Overnight Financing Rate ("SOFR"), a benchmark published by the Federal Reserve Bank of New York.

y. On September 20th, Wells Fargo Securities released a paper on replacing LIBOR with SOFR entitled Killing LIBOR SOFR(ly).

5. Authority News

Mr. Hopkins reported that Bill McLaughlin and Edwin Fuentes attended the Bond Buyer's Conference in New York yesterday and will give a report on the conference at the next meeting.

He also thanked Ron Marmelstein, Senior Staff, and Carole Conover for ably handling Authority matters while he was on vacation.

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

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY MEETING HELD OCTOBER 25, 2018

Carole A. Conover, Assistant Secretary