

Minutes of the New Jersey Health Care Facilities Financing Authority Meeting held on December 20, 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; Greg Lovell, Designee of the Commissioner of Human Services; and, via telephone, Robin Ford, Designee of the Commissioner of Health and Suzette Rodriguez, Public Member

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

Mark Hopkins, Frank Troy, Ron Marmelstein, Bill McLaughlin, Alpa Patel, Ellen Lieber; Taryn Rommell; Tracey Cameron, John Johnson and Chris Kniesler

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

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

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:08 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

a. November 15, 2018 Authority Meeting

Minutes for the Authority's November 15, 2018 regular 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. All Members voted in the affirmative and the minutes were approved.

b. November 30, 2018 Special Authority Meeting

Minutes for the Authority's November 30, 2018 Special 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. 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. Ford 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-38

WHEREAS, the Members of the Authority have reviewed the memoranda dated December 12, 2018 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$27,580.00 and \$144,324.34 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.

3. STAFF REPORTS

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

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

Mr. Hopkins reported the following:

1. Hospital & Other News

- a. The report on University Hospital prepared by a monitor appointed in August by Governor Murphy was delivered on December 10, 2018. The report cited poor management, an overcrowded emergency room, deteriorating finances and poor oversight for the troubles at New Jersey's only State-owned hospital. A few days before the report was released, University Hospital's President and CEO, Dr. John Kastanis, stepped down. On December 13, 2018, the monitor, Judy Persichilli, was named as Acting

President and CEO. She will serve until a permanent replacement can be recruited and hired. Ms. Persichilli was previously CEO of St. Francis Medical Center in Trenton, followed by becoming CEO of Catholic Health East and interim CEO of CHE Trinity Health shortly after Catholic Health East merged with Trinity Health.

- b. In unrelated news, Trinity Health's current CEO, Dr. Richard Gilfillan, announced he would be leaving Trinity Health on June 30, 2019. Dr. Gilfillan joined Trinity Health as CEO in November of 2013 shortly after its merger with Catholic Health East. The Trinity board announced that he would be succeeded by current COO Michael Slubowski. Mr. Slubowski was CEO of SCL Health and, prior to that, spent 13 years as President of Hospital and Health Networks at Trinity. Trinity operates 94 hospitals and 109 continuing care locations in 22 states, including Our Lady of Lourdes Medical Center in Camden, Lourdes Medical Center of Burlington County in Willingboro and Saint Francis Medical Center in Trenton. Both Our Lady of Lourdes and Lourdes Medical Center are undergoing regulatory review for acquisition by Virtua Health.
- c. Hunterdon Healthcare System has named Patrick Gavin as its new President and CEO. Mr. Gavin has served as President and CEO of Crozer-Chester Medical Center since 2016 and served in several different senior leadership positions at Crozer-Keystone Health System since 2010.
- d. Missed in August, Samaritan Healthcare & Hospice named Susan Manzi as its new Chief Financial Officer. Ms. Manzi was previously Chief Financial Officer at Axia Women's Health and prior to that served as Vice President of Accounting and Revenue Cycle at Regional Women's Health Management LLC. She replaces former CFO Mary Finn.
- e. Several articles are included on the recent trend of health systems with hospitals in New Jersey increasing their minimum wages to \$15 or more. In the last three months Cooper University Health Care, Inspira Health, Jefferson Health, RWJBarnabas, St. Joseph's Health and Virtua Health all announced plans to increase wages of the lowest paid employees to at least \$15 per hour either immediately or by the end of 2019.
- f. In Ratings News:
 - i. Fitch Ratings, Moody's and Standard & Poor's assigned or affirmed "AA-," "Aa3" and "AA-" ratings, respectively, to debt issued by or on behalf of Trinity Health. All assigned an outlook of "stable."

- ii. Fitch and Moody's also released their not-for-profit hospital and health systems outlook for 2019. Both have a negative outlook on the sector.
- iii. Fitch also released a special report entitled "What Investors Want to Know: U.S. Not-For-Profit Hospitals and Health Systems."

In New Jersey Health Care News:

- g. New Jersey was ranked 11th in the nation for overall health in United Health Foundation's "America's Health Rankings Annual Report." That is an improvement from New Jersey's 12th ranking last year.
- h. Several sources told ROI-NJ that the legislation introduced earlier this month in the State Assembly to gradually increase the State minimum wage to \$15 would require a significant increase in Medicaid reimbursement. One source said the increase would be \$200 million. Medicaid costs are roughly shared half by the federal government and half by the State.
- i. A number of articles are being provided today on the Department of Community Affairs, WellCare Health Plans, Robert Wood Johnson University Hospital and St. Peter's University Hospital's participation in a two-year pilot program called Housing First to provide housing to homeless patients who have frequent hospital visits partially due to being homeless.
- j. A federal trial judge in the Northern District of Texas determined that the individual mandate in the Affordable Care Act is unconstitutional as a result of the 2017 federal tax law's removal of the tax penalty associated with failure to obtain insurance required by the mandate. In a move questioned by some legal experts, the judge ruled the entire Affordable Care Act unconstitutional. The ruling has no immediate effect. Seventeen states, including New Jersey, are appealing the ruling.
- k. The Bond Buyer published an article discussing the negative effects that ruling the Affordable Care Act unconstitutional will have on not-for-profit hospitals and health systems. With one of the biggest concerns the reversal of Medicaid expansion which has significantly benefitted hospitals in states where expansion was enacted.
- l. Analysis by Navigant shows two-thirds of 104 prominent health systems, which account for almost half of the country's hospitals, experienced a decline in operating income between 2015 and 2017. Hospital expenses increased 3% faster than hospital revenues from 2015 to 2017.

- m. A report from the Centers for Medicare and Medicaid Services (“CMS”) shows spending for health care grew at a slower rate for the second year in a row in 2017, growing 3.9%, a slightly slower rate than the overall GDP, to \$3.5 trillion which is 17.9% of GDP. In 2016, health care spending grew at a rate of 4.8%.
- n. A review of CMS data by Modern Healthcare shows CMS did not risk-adjust the overall CMS star ratings for hospitals with a high percentage of patients dually eligible for Medicare and Medicaid. The failure to risk-adjust for this population likely skews scoring against the hospitals with the high dual-eligible population. CMS does risk-adjust for this population in its Hospital Readmission Reduction Program.
- o. According to revenue cycle technology provider Waystar, 68% of patients have challenges in at least one of the social determinants of health categories.
- p. The Journal of the American Medical Informatics Association reported patients given access to an inpatient portal had lower readmission rates. The inpatient portals provided patients with the electronic health records along with general internet access. The patients with an inpatient portal were more likely to look up health information on line.
- q. In other national healthcare news, articles are being provided on:
 - i. Physician burnout and the costs to U.S. hospitals and the health system;
 - ii. Hospital leaders wanting value-based contracts with suppliers;
 - iii. Ambulatory surgery centers being less costly than hospitals for certain surgeries such as knee and shoulder surgeries;
 - iv. The need for flexibility for health care real estate developers to succeed; and
 - v. Telehealth articles on increased usage especially in primary care but only slightly in Medicare, telehealth reimbursement expansion by Congress, and challenges of electronic health records for telehealth providers.

In Tax and Securities Legal and Regulatory News:

- r. The Federal Open Market Committee of the Federal Reserve voted yesterday to raise interest rates another 25 basis points. The federal funds

rate will now hover between 2.25% and 2.50%. At this time, the Fed policymakers expect to make two more rate hikes in 2019.

- s. The Bond Buyer is reporting that insurance companies are becoming more interested in public debt. Interest of banks in public debt has waned. Insurance companies increased their holdings of public debt by \$4.7 billion to \$549 billion in the second quarter of 2018 while bank holdings of municipal bonds fell by \$14.1 billion to \$530.7 billion. The tax code passed at the end of 2017 made it less attractive for banks to hold tax-exempt municipal bonds.
- t. The Municipal Securities Rulemaking Board is proposing to make the disclosures that underwriters provide to issuers at the outset of a financing shorter and less onerous by revising its interpretive guidance on its fair dealing rule, Rule G-17. Critics of the changes to Rule G-17 made in 2012 argue that the information provided is boilerplate and not useful to issuers while being more burdensome for underwriters.

2. Authority News

- a. Mr. Hopkins announced that Cindy Kline has joined the Authority as the Administrative Assistant for the Division of Operations, Finance and Special Projects. Ms. Kline previously was the office manager at Lakeview Child Center since 2007 and served as a teacher assistant and classroom assistant going back to 2001. She has an Associate's degree in Office Systems Technology from Mercer County Community College. Ms. Kline was unable to attend this meeting because she was in Ethics Training.

Mr. Hopkins concluded by extending his best holiday wishes to the Authority Members and the designees of the Ex-officio Members who attend the meetings, as well as Brian McGarry and George Loeser from Attorney General's Office, Lauren Nathan-LaRusso from Governor's Authorities Unit and the Authority staff. Mr. Hopkins thanked everyone for all of the hard work throughout the year.

As there was no further business, following a motion by Mr. Lovell and a second by Ms. Ford, the Members voted unanimously to adjourn the meeting at 11:22 am.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY MEETING HELD ON DECEMBER 20, 2018.

Ron Marmelstein, Assistant Secretary