

Minutes of the New Jersey Health Care Facilities Financing Authority Meeting held on February 28, 2019 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; Mary Ann Kralik, Designee of the Commissioner of Banking and Insurance; Greg Lovell, Designee of the Commissioner of Human Services; and, via telephone, and Suzette Rodriguez, Public Member

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

Mark Hopkins, Frank Troy, Ron Marmelstein, Bill McLaughlin, Alpa Patel, Taryn Rommel, Ellen Lieber, Neetu “Nikki” Thukral, Tracey Cameron, Michael Solidum, John Johnson and Chris Kniesler

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

George Loeser, Attorney General’s Office; Lauren LaRusso, Governor’s Authorities Unit; Bob Segin, Executive Vice President & Chief Financial Officer, Gerry Lowe, Senior Vice President of Finance, and Bob Osler, Assistant Vice President for Treasury from Virtua Health; John Kelly, Wilentz, Goldman & Spitzer P.A.; Jeffrey Sahrbach, Ponder & Company; and Chuck Toto, Hawkins, Delafield & Wood, LLP

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:06 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 January 24, 2019 Authority Meeting

Minutes for the Authority’s January 24, 2019 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. Kralik 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. PROPOSED AMENDMENTS TO THE AUTHORITY'S LOAN REQUIREMENTS

Dr. Kazmir called upon Executive Director Mark Hopkins to explain the reasons for the proposed amendments to the Members.

Mr. Hopkins reported that, despite having its largest volume of issuance in 2016 and the fourth largest volume in 2017, the Authority's Staff is anticipating a general overall decline in our volume of bond issuance for hospitals and healthcare systems in the coming years. According to Mr. Hopkins, this is primarily due to the issues he identified in the memo the Members received in their meeting packets.

Mr. Hopkins reported that the Authority is the second largest solely healthcare bond issuing authority in the country and the 76th largest bond issuing authority overall. The Authority has established an excellent reputation among bond purchasers who value our relatively standardized package of security and covenants as well as our ongoing monitoring of our borrowers' finances; construction monitoring by the Authority's architect; and our experienced staff.

Mr. Hopkins explained that the Authority's biggest institutional bondholders say that the above-mentioned qualities and policies provide them with added confidence and result in lower interest costs. These slightly lower interest costs can result in millions of dollars in present value savings based on our average bond size of approximately \$130 million. Despite the inconvenience and added expense of the Authority's reporting and compliance requirements, as well as its average to slightly higher than average fees, the Authority believes that our borrowers save money through lower interest costs in the long run. The Authority has documented that most of our recent borrowers have received lower bond yields compared to similarly rated healthcare borrowers issuing on the same date or within a couple of days.

Mr. Hopkins said that staff hears that underwriters have encouraged our borrowers to issue taxable bonds, despite the increased interest cost and the unavailability or additional cost of a ten-year call. They cite the restrictions on the use and the investment of the proceeds on tax-exempt bonds along with the additional IRS reporting requirements as the reasons. They also cite some of the Authority's policies that are more restrictive than other tax-exempt bond issuers. Underwriters, of course, have an interest in moving financings along quickly with minimum friction from issuers.

Mr. Hopkins expressed the staff's concern that not-for-profit hospitals have been, or are considering, issuing taxable bonds on their own to satisfy their financing needs. Two recent issuances of taxable bonds for hospitals resulted in tens of millions of dollars in additional debt service costs compared to tax-exempt bonds with the same maturities. Issuance of taxable bonds is appropriate in certain situations but, if hospitals are incurring higher borrowing costs simply seeking the looser restrictions available on taxable bonds, it raises concerns about increasing the cost of delivering healthcare.

Mr. Hopkins stated that the Authority wants to ensure that not-for-profit hospitals and healthcare organizations continue to have access to the low cost of capital available through tax-exempt bonds as well as try to reduce any barriers the Authority can to financing through tax-exempt bonds. Indeed, tax-exempt bonds are one of the few advantages remaining for not-for-profit hospitals.

Over the last two years, Mr. Hopkins said that staff sought input from hospital borrowers and the largest institutional investors of Authority bonds to try to improve Authority policies. Staff also examined the policies at other New Jersey bond issuing authorities and healthcare issuing authorities in other states.

Currently, according to Mr. Hopkins, the Authority policies impose several requirements in the Loan Agreement between the Authority and the Borrower to act as an early warning of potential financial difficulties and as a way to avoid a default under the Bond Resolution or Trust Indenture whereby the bondholders can accelerate the bonds.

In August 2018, the Authority Members approved one change requested by our borrowers: reducing the number of Authority meetings required to approve bonds from three to two. Staff has come up with other recommendations that would make issuing bonds more attractive and convenient for our borrowers while not diminishing the confidence our bondholders have in Authority bonds:

1. Debt Service Coverage Ratio: Reduce the minimum Debt Service Coverage Ratio requirement in our Loan Agreement from 1.25 to 1.10 for entities rated in the “A” category or above by any of Fitch Ratings, Moody’s or Standard & Poor’s at the time of issuance. For borrowers rated below “A” the Debt Service Coverage Ratio requirement would remain at 1.25.
2. Cushion Ratio and Cash Transfer Test: Eliminate from our Loan Agreement the requirement that borrowers maintain a Cushion Ratio of 1.25 plus the Cash Transfer Test (which prohibits the transfer of cash outside the obligated group without adequate consideration if it brings Days Cash on Hand below the Standard & Poor’s “BBB” median (currently 159 days)) and replace them with the following sliding Days Cash on Hand requirement that will change as the borrower’s rating changes, so long as the bonds are outstanding:
 - a. 60 Days Cash on Hand for “AA” rated borrowers;
 - b. 75 Days Cash on Hand for “A” rated borrowers;
 - c. 90 Days Cash on Hand for “BBB” rated borrowers; and
 - d. 120 Days Cash on Hand for unrated borrowers or for those with below investment grade ratings.

This change will provide borrowers with more cash flexibility, allowing them to invest in other ventures that are consistent with trends in healthcare delivery and population health.

As a consequence of eliminating these provisions, staff also recommends that, if a borrower defaults, the time within which the borrower must engage a consultant be shortened to 60 days from 75. These changes, combined with the change to the Debt Service Coverage Ratio, would still allow a turn-around plan to be formulated by a consultant and implemented before a default occurs under the Bond Resolution or Trust Indenture that would lead to an acceleration of the bonds by the bondholders.

3. Loan Payments: Bond payments are typically made semi-annually for interest and annually for principal. However, the Authority has typically required borrowers to make monthly loan payments equal to 1/12th the principal due on the next annual bond principal payment date and 1/6th the interest due on the next semi-annual bond interest payment date. In the last several years, we have permitted highly rated borrowers, on a case-by-case basis, to make loan payments equal to the bond principal and interest payments 30 days before the bond principal and interest payments were due. Staff now believes that there is no significant risk in allowing the following policy revision, with sliding payment schedules changing as the borrower's rating changes, so long as the bonds are outstanding:
 - a. Borrowers rated in the "A" category or higher may make loan payments five (5) business days before the bond debt service payments become due;
 - b. Borrowers rated in the "BBB" category may make their loan payments 30 calendar days before the bond debt service payments are due; and
 - c. Borrowers rated below the "BBB" category or not rated must make monthly payments of 1/6th of the next semi-annual bond interest payment and 1/12th the next annual bond principal payment.

This change will give borrowers more flexibility with their cash, perhaps to invest it for longer periods, likely at higher interest rates, before they have to make it available for loan payments.

4. Confidence Level Funding on Captive Insurance Companies: Staff proposes to eliminate the Authority requirement that self-insurance trusts and captive insurance companies have funded reserves sufficient to satisfy the 75% confidence level but rather only have enough in reserves to satisfy all the requirements of its captive's domicile, provided, however, that a promissory note from the borrower or any affiliate or other related entity cannot be counted as part of the funded reserves used to satisfy those requirements. We are aware of no other bond issuer that has a specific confidence level requirement. We have already made this exception for two highly rated borrowers in the last three years.
5. Triggering Events: About a decade ago, the Authority enacted a Triggering Events provision that, under certain circumstances, enables the Authority to send a representative to a hospital's board meetings as a non-voting guest who receives the same information as a board member, with the exception of information that is subject to the legal privilege, and personnel and healthcare confidentiality. This provision was a reaction to the revelation that management at certain Authority

borrowers were not communicating adequate financial information (of which the Authority was aware) to their board members. Board members have a fiduciary duty to the organization and its creditors and represent the interests of community, who is technically the legal owner of all not-for-profit organizations. While a 2008 State law giving the Commissioner of Health the authority to place a monitor at hospitals, including at hospital board meetings, provides some comfort, staff nevertheless feels that there should be some provision to observe hospitals or healthcare systems financed by the Authority. However, staff proposes that so long as a borrower maintains an investment grade rating there is no need to attend the hospital's board meetings. If, however, a hospital falls below investment grade and trips a Triggering Event, the Authority would still be able to send a representative to its board meetings.

Mr. Hopkins concluded by saying that staff recommends that the Authority Members approve the proposed resolutions and that they adopt each of the aforementioned loan policy changes individually, to help eliminate whatever barriers the Authority is in control of, in an effort to encourage hospitals to more fully utilize lower-cost tax-exempt bonds for their financing needs, while maintaining market confidence in Authority bonds.

Mr. Hopkins said that he would answer any questions that the Members had.

Ms. Ford asked if the Authority knew how many domiciles allow promissory notes from borrowers to count toward funding reserves.

Mr. Hopkins replied that, from experience, the Authority knows that Bermuda allows that. They accept a promissory note from the borrower entity to the captive insurance company as an asset in the reserve. According to Mr. Hopkins, a couple of the Authority's borrowers did that in the past and we are mindful to prevent it from happening again. Mr. Hopkins noted, however, that he does not believe that any of the Authority's borrowers intend to that in the future.

Ms. Ford asked if it did happen would it trigger the need for a higher confidence level.

Mr. Hopkins replied that they would have to meet the reserve requirement without that asset and their actuary would have to certify to that.

Dr. Kazmir thanked Mr. Hopkins for his presentation and said that the Members would vote on each amendment individually.

Dr. Kazmir asked for a motion to approve the resolution amending the Debt Service Coverage Ratio and shortening the time within which an independent consultant must be engaged by the borrower in the event of a violation of the Debt Service Coverage Ratio for certain borrowers. 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 resolution was approved.

RESOLUTION NO. SS-42

RESOLUTION AMENDING THE DEBT SERVICE COVERAGE RATIO AND SHORTENING THE TIME WITHIN WHICH AN INDEPENDENT CONSULTANT MUST BE ENGAGED BY THE BORROWER IN THE EVENT OF A VIOLATION OF THE DEBT SERVICE COVERAGE RATIO

WHEREAS, the New Jersey Health Care Facilities Financing Authority (the “Authority”) was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, as amended (N.J.S.A. 26:2I-1, et seq.) (the “Act”), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey (the “State”); and

WHEREAS, the Authority has the authority to enter into contracts with borrowers necessary or incidental to the performance of its duties and the execution of its powers and shall adopt standing rules and procedures for such contracts, pursuant to Section 5(j) of the Act; and

WHEREAS, the Authority regularly enters into loan agreements, lease agreements and other finance agreements with borrowers related to and as security for the issuance of the Authority’s bonds, notes and leases; and

WHEREAS, as a result of the changes in the health care delivery system in the State and changes in the municipal bond markets, the Authority has been reviewing its policies to ensure continued marketability and efficiency of its financings; and

WHEREAS, the Authority desires to amend certain standard provisions of its loan, lease and other finance agreements to better serve its borrowers and better reflect the current municipal bond market conditions; and

WHEREAS, the Authority adopted a confidential resolution on April 6, 1995 “direct[ing] the Executive Director to negotiate agreements with hospital borrowers which will provide for: (1) quarterly certification of . . . a debt service coverage ratio of 1.25 times debt service and a cushion ratio of 1.25 times debt service; and (2) in the event of violation of either of these ratios, the hiring of an independent consultant acceptable to the Authority for a scope of work acceptable to the Authority.”; and

WHEREAS, the Authority has traditionally required the independent consultant to be engaged by the borrower within seventy-five (75) days of the violation of a ratio covenant; and

WHEREAS, the Authority believes in light of the changes being made by this and other resolutions proposed for adoption today that the engagement of an independent consultant should be made by the borrower within sixty (60) days; and

WHEREAS, the Authority, after discussion with several borrowers and bondholders has determined that the policy adopted in 1995 is not entirely consistent with current municipal bond market conditions and desires to amend the provision with respect to the Debt Service Coverage Ratio and to adopt a policy with respect to the timing of the engagement of the independent consultant by the borrower; and

NOW THEREFORE BE IT RESOLVED, that the Authority hereby approves the following amendment to its Debt Service Coverage Ratio policy:

Unless otherwise authorized by an action of the Authority Members, loan agreements, lease agreements and other finance agreements entered into between the Authority and its borrowers shall contain a provision requiring that the borrower engage an independent consultant acceptable to the Authority for a scope of work acceptable to the Authority within sixty (60) days if the borrower fails to maintain a Debt Service Coverage Ratio of 1.25 times debt service at the end of any fiscal quarter; however, if at the time of issuance of the financing the Long Term Parity Indebtedness of the borrower is rated “A+/A1”, “A/A2” or “A-/A3” or higher by any of Fitch Ratings, Moody’s Investors Service or S& P Global Ratings, the Debt Service Coverage Ratio may be set at no lower than 1.10 times debt service; and

BE IT FURTHER RESOLVED, that this Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of delivery) to the Governor of the State (the “Governor”) of the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor

signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

Dr. Kazmir asked for a motion to approve a resolution eliminating the Cushion Ratio requirement and the Cash Transfer Test and replacing them with a Days Cash on Hand requirement and establishing the time within which an independent consultant must be engaged by the borrower in the event of a violation of the Days Cash on Hand requirement. Ms. Ford 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 resolution was approved.

AB RESOLUTION NO. SS-43

RESOLUTION ELIMINATING THE CUSHION RATIO REQUIREMENT AND THE CASH TRANSFER TEST AND REPLACING THEM WITH A DAYS CASH ON HAND REQUIREMENT AND ESTABLISHING THE TIME WITHIN WHICH AN INDEPENDENT CONSULTANT MUST BE ENGAGED BY THE BORROWER IN THE EVENT OF A VIOLATION OF THE DAYS CASH ON HAND REQUIREMENT

WHEREAS, the New Jersey Health Care Facilities Financing Authority (the “Authority”) was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, as amended (N.J.S.A. 26:2I-1, et seq.) (the “Act”), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey (the “State”); and

WHEREAS, the Authority has the authority to enter into contracts with borrowers necessary or incidental to the performance of its duties and the execution of its powers and shall adopt standing rules and procedures for such contracts, pursuant to Section 5(j) of the Act; and

WHEREAS, the Authority regularly enters into loan agreements, lease agreements and other finance agreements with borrowers related to and as security for the issuance of the Authority’s bonds, notes and leases; and

WHEREAS, as a result of the changes in the health care delivery system in the State and changes in the municipal bond markets, the Authority has been reviewing its policies to ensure continued marketability and efficiency of its financings; and

WHEREAS, the Authority desires to amend certain standard provisions of its loan, lease and other finance agreements to better serve its borrowers and better reflect the current municipal bond market conditions; and

WHEREAS, the Authority adopted a confidential resolution on April 6, 1995 “direct[ing] the Executive Director to negotiate agreements with hospital borrowers which will provide for: (1) quarterly certification of . . . a debt service coverage ratio of 1.25 times debt service and a cushion ratio of 1.25 times debt service; and (2) in the event of violation of either of these ratios, the hiring of an independent consultant acceptable to the Authority for a scope of work acceptable to the Authority.”; and

WHEREAS, the Authority has traditionally required the independent consultant to be engaged by the borrower within seventy-five (75) days of the violation of a ratio covenant; and

WHEREAS, the Authority believes in light of the changes being made by this and other resolutions proposed for adoption today that the engagement of an independent consultant should be made by the borrower within sixty (60) days of the violation; and

WHEREAS, the Authority has traditionally required the Borrower to agree that neither it nor any other Member of the Obligated Group will donate, give or transfer, without adequate consideration, any of its cash or marketable securities outside of the Obligated Group unless the Authority and the Trustee are provided with an Officer’s Certificate showing that such transfer shall not reduce the number of Days Cash On Hand of the Obligated Group below the lesser of (i) one hundred (100) Days Cash on Hand, or (ii) then current Standard & Poor’s Financial Services LLC’s “U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Ratio by Rating Level” for Days Cash on Hand for “BBB” rated hospitals (the “Cash Transfer Test”); and

WHEREAS, the Authority, after discussion with several borrowers and bondholders has determined that the Cushion Ratio Requirement adopted in 1995 and the Cash Transfer Test policy is not entirely consistent with current municipal

bond market conditions and desires to eliminate both the Cushion Ratio Requirement and the Cash Transfer Test and replace them with a sliding Days Cash on Hand Requirement based on the rating of the borrower's long-term parity indebtedness and to adopt a policy with respect to the timing of the engagement of the independent consultant by the borrower in the event of a violation of the Days Cash on Hand Requirement; and

NOW THEREFORE BE IT RESOLVED, that the Authority hereby eliminates the Cushion Ratio Requirement and the Cash Transfer Test: and

BE IT FURTHER RESOLVED, that the Authority hereby replaces the Cushion Ratio Requirement and the Cash Transfer Test with a Days Cash on Hand Requirement, wherein:

“Days Cash on Hand Requirement” shall mean, as of the date of calculation (i) an amount equal to at least sixty (60) Days Cash on Hand if the Long Term Parity Indebtedness of the Borrower is rated “AA-/Aa3” or higher by any Rating Agency, (ii) an amount equal to at least seventy-five (75) Days Cash on Hand if the Long Term Parity Indebtedness of the Borrower is rated “A+/A1”, “A/A2” or “A-/A3” by any Rating Agency, (iii) an amount equal to at least ninety (90) Days Cash on Hand if the Long Term Parity Indebtedness of the Borrower is rated “BBB+/Baa1”, “BBB/Baa2” or “BBB-/Baa3” by any Rating Agency, and (iv) an amount equal to at least one hundred twenty (120) Days Cash on Hand if the Long Term Parity Indebtedness of the Borrower is rated “BB+/Ba1” or lower by all Rating Agencies or if the Long Term Parity Indebtedness of the Borrower is not rated by any Rating Agency; and

Unless otherwise authorized by an action of the Authority Members, loan agreements, lease agreements and other finance agreements entered into between the Authority and its borrowers shall contain a provision requiring that the borrower engage an independent consultant acceptable to the Authority for a scope of work acceptable to the Authority within sixty (60) days if the borrower fails to maintain the Days Cash on Hand Requirement at the end of any fiscal quarter; and

BE IT FURTHER RESOLVED, that this Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of delivery) to the Governor of the State (the “Governor”) the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

Dr. Kazmir asked for a motion to approve the resolution adjusting the timing of loan principal and interest payments. 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 resolution was approved.

AB RESOLUTION NO. SS-44

RESOLUTION ADJUSTING THE TIMING OF LOAN PRINCIPAL AND INTEREST PAYMENTS

WHEREAS, the New Jersey Health Care Facilities Financing Authority (the “Authority”) was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, as amended (N.J.S.A. 26:2I-1, et seq.) (the “Act”), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey (the “State”); and

WHEREAS, the Authority has the authority to enter into contracts with borrowers necessary or incidental to the performance of its duties and the execution of its powers and shall adopt standing rules and procedures for such contracts, pursuant to Section 5(j) of the Act; and

WHEREAS, the Authority regularly enters into loan agreements, lease agreements and other finance agreements with borrowers related to and as security for the issuance of the Authority’s bonds, notes and leases; and

WHEREAS, as a result of the changes in the health care delivery system in the State and changes in the municipal bond markets, the Authority has been reviewing its policies to ensure continued marketability and efficiency of its financings; and

WHEREAS, the Authority desires to amend certain standard provisions of its loan, lease and other finance agreements to better serve its borrowers and better reflect the current municipal bond market conditions; and

WHEREAS, the Authority has traditionally required loan payments to be made by borrowers monthly in an amount equal to 1/12th the principal due on the next annual bond principal payment date and 1/6th the interest due on the next semi-annual bond interest payment date; and

WHEREAS, the Authority, after discussion with several borrowers and bondholders has determined that the loan payment dates are not entirely consistent with current municipal bond market conditions and, therefore, desires to amend the loan payment dates; and

NOW THEREFORE BE IT RESOLVED, that the Authority hereby adopts the following sliding schedule for borrowers to make loan payments:

a. Borrowers with long term parity indebtedness rated “A+/A1”, “A/A2” or “A-/A3” or higher by any of Fitch Ratings, Moody’s Investors Services or S & P Global Ratings as of the date of the previous loan payment are required to make loan payments no less than five (5) business days before the bond debt service payments become due; and

b. Borrowers rated “BBB+/Baa1”, “BBB/Baa2” or “BBB-/Baa3” by any of Fitch Ratings, Moody’s Investors Services or S & P Global Ratings as of the date of the previous loan payment are required to make their loan payments thirty (30) calendar days before the bond debt service payments are due; and

c. Borrowers rated below “BBB+/Baa1”, “BBB/Baa2” or “BBB-/Baa3” or who are not rated by any of Fitch Ratings, Moody’s Investors Services or S & P Global Ratings as of the date of the previous loan payment are required to make monthly payments of 1/6th of the next semi-annual bond interest payment and 1/12th the next annual bond principal payment; and

BE IT FURTHER RESOLVED, that this Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day

of delivery) to the Governor of the State (the “Governor”) minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

Dr. Kazmir asked for a motion to approve the resolution amending the requirements for borrowers with captive insurance and self-insurance programs. 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 resolution was approved.

AB RESOLUTION NO. SS-45

RESOLUTION AMENDING THE REQUIREMENTS FOR BORROWERS WITH CAPTIVE INSURANCE AND SELF-INSURANCE PROGRAMS

WHEREAS, the New Jersey Health Care Facilities Financing Authority (the “Authority”) was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, as amended (N.J.S.A. 26:2I-1, et seq.) (the “Act”), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey (the “State”); and

WHEREAS, the Authority has the authority to enter into contracts with borrowers necessary or incidental to the performance of its duties and the execution of its powers and shall adopt standing rules and procedures for such contracts, pursuant to Section 5(j) of the Act; and

WHEREAS, the Authority regularly enters into loan agreements, lease agreements and other finance agreements with borrowers related to and as security for the issuance of the Authority’s bonds, notes and leases; and,

WHEREAS, as a result of the changes in the health care delivery system in the State and changes in the municipal bond markets, the Authority has been reviewing its policies to ensure continued marketability and efficiency of its financings; and,

WHEREAS, the Authority desires to amend certain standard provisions of its loan, lease and other finance agreements to

better serve its borrowers and better reflect the current municipal bond market conditions; and

WHEREAS, on February 28, 2008 the Authority adopted AB Resolution No. HH-107 proscribing a specific form of insurance covenant for borrowers who maintain a self-insurance trust or a captive insurance company, which included that any borrower's self-insurance trust or captive insurance company must have "total discounted held reserves plus capital and surplus in the self-insurance or captive insurance program, limited to those funds that cannot be drawn upon by the borrower for use in operations or otherwise unrelated to payment of claims, are at least equal to the discounted 75th percent confidence level"; and

WHEREAS, the Authority, after discussion with several borrowers and bondholders has determined that the reserve requirement of at least a 75th percent confidence level with respect to self-insurance trusts and captive insurance companies is not consistent with current municipal bond market conditions and, therefore, desires to remove that portion of the insurance covenant; and

NOW THEREFORE BE IT RESOLVED, that the Authority hereby amends the portion of the insurance covenant related to self-insurance trusts and captive insurance companies, originally adopted on February 28, 2008 as AB Resolution No. HH-107, as follows:

(e) In the event that the Borrower self-insures or insures through a captive insurance company (the "Captive"), the Borrower shall provide to the Authority, at the time of commencement of such coverage and annually thereafter (no later than the anniversary date of commencement of such coverage), either:

(A) A rating that is "investment grade" or "secure" as defined by A.M. Best Company, its successor or such other rating service that customarily provides ratings for insurance companies or coverage and is acceptable to an Authorized Officer of the Authority and a copy of the rating report relating thereto; or

(B) the following items:

(i) a certification addressed directly to the Borrower, the Bond Trustee and the Authority from a licensed independent actuary specializing in the type of

insurance being provided and not unacceptable to an Authorized Officer of the Authority, that (a) based upon an actuarial study, the total discounted held reserves plus capital and surplus in the self-insurance or captive insurance program, limited to those funds that cannot be drawn upon by the Borrower for use in operations or otherwise unrelated to payment of claims, meet all the requirements of the [relevant regulatory body of the domicile of the captive insurance company of the self-insurance trust (“Domicile”)], and (b) identifying the assumptions relied upon by the actuary in its determination, which assumptions shall not be unacceptable to an Authorized Officer of the Authority. The Borrower may include in its funding calculation "admitted assets" (as that term is defined in the regulations of the Domicile), including cash, cash equivalents, investments, any receivable owing from the Borrower to the Captive, and other assets permitted by the Domicile, plus all proceeds of the foregoing; provided, however, for purposes of this subsection, in calculating either statutory capital and surplus or the minimum liquidity ratio requirements, "admitted assets" shall not include any amounts owing to the Captive from the Borrower or its affiliates as a result of loans or advances made by the Captive to the Borrower or its affiliates);

(ii) an opinion of counsel addressed directly to the Borrower, the Trustee and the Authority to the effect that the self-insurance or captive insurance program is in compliance with the laws and regulations of the state and/or country of its domicile and is not in contravention of any laws or regulations of the State (the form of which opinion shall not be unacceptable to an Authorized Officer of the Authority); and

(iii) evidence (which shall also be delivered to the Trustee) that the self-insurance or captive insurance program has been audited by a nationally recognized Independent firm of public accountants and has received an unqualified opinion (the form of which opinion shall not be unacceptable to an Authorized Officer of the Authority) from such firm of public accountants.

(f) In the event that the Borrower is not able to comply with the requirements of Section (e) hereof and an Authorized Officer of the Authority has not waived such noncompliance, the Borrower shall procure, within ninety (90) days of the anniversary date referred to in Section (e)

hereof or by such later date as shall be approved in writing by an Authorized Officer of the Authority, insurance policies complying with the requirements of Section (a) hereof.

(g) Notwithstanding anything set forth in this Loan Agreement to the contrary, the provisions of this Section may be amended or supplemented by the Authority in its sole and absolute discretion and without the consent of any Bondholder, the Bond Trustee or the Borrower in order that such provisions shall be consistent with the Authority's policies then in effect.

(h) The Bond Trustee shall have no obligation to review or determine the adequacy of any insurance required by this Section.

BE IT FURTHER RESOLVED, that this Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of delivery) to the Governor of the State (“Governor”) of the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

Dr. Kazmir asked for a motion to approve the resolution amending the triggering events policy. Mr. Kralik 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 resolution was approved.

AB RESOLUTION NO. SS-46

RESOLUTION AMENDING THE TRIGGERING EVENTS POLICY

WHEREAS, the New Jersey Health Care Facilities Financing Authority (the “Authority”) was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, as amended (N.J.S.A. 26:2I-1, et seq.) (the “Act”), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey (the “State”); and

WHEREAS, the Authority has the authority to enter into contracts with borrowers necessary or incidental to the performance of its duties and the execution of its powers and shall adopt standing rules and procedures for such contracts, pursuant to Section 5(j) of the Act; and

WHEREAS, the Authority regularly enters into loan agreements, lease agreements and other finance agreements with borrowers related to and as security for the issuance of the Authority's bonds, notes and leases; and

WHEREAS, as a result of the changes in the health care delivery system in the State and changes in the municipal bond markets, the Authority has been reviewing its policies to ensure continued marketability and efficiency of its financings; and

WHEREAS, the Authority desires to amend certain standard provisions of its loan, lease and other finance agreements to better serve its borrowers and better reflect the current municipal bond market conditions; and

WHEREAS, the Authority has traditionally required borrowers to permit up to two Authority staff members to attend a borrower's board meetings if the borrower had failed to meet the minimum Debt Service Coverage Ratio or Cushion Ratio for two consecutive quarters, known as Triggering Events; and

WHEREAS, the Authority, after discussion with several borrowers and bondholders has determined that under current municipal bond market conditions the Cushion Ratio should be replaced by a Days Cash on Hand Requirement; and

WHEREAS, the Authority, after discussion with several borrowers and bondholders has also determined that it is not necessary to attend the borrower's board meetings so long as the borrower is rated at or above "BBB+/Baa1", "BBB/Baa2" or "BBB-/Baa3" by any of Fitch Ratings, Moody's Investors Services or S & P Global Ratings; and

NOW THEREFORE BE IT RESOLVED, that the Authority hereby adopts the following amendment to the Triggering Events provisions:

(a) For purposes of this Section, a "**Triggering Event**" shall mean (i) the failure of the Obligated Group to

maintain the Required Ratio for two (2) or more consecutive quarterly testing periods (it being understood that failure by the Borrower to provide a certificate evidencing satisfaction by the Obligated Group of the Required Ratio for any quarterly testing date within the time required by [the section requiring quarterly financial reports and certifications to be delivered (generally 45 days)] shall be conclusively deemed for purposes of this Section to constitute a failure to satisfy the Required Ratio as of such quarterly testing date), and (ii) the failure of the Obligated Group to maintain the Days Cash on Hand Requirement as of the last day of the second quarterly reporting period identified in clause (i) above (it being understood that failure by the Borrower to provide a certificate evidencing satisfaction by the Obligated Group of maintaining the Days Cash on Hand Requirement shall be conclusively deemed for purposes of this Section to constitute a failure to satisfy the Days Cash on Hand Requirement as of such required date).

(b) Upon the occurrence of a Triggering Event during any period of time when the underlying rating of the Long Term Parity Indebtedness of the Borrower issued by any Rating Agency is not at least “investment grade” or higher, then, in addition to any other remedies and rights available hereunder or under any other document as a result thereof, the Borrower shall (i) permit up to two (2) representatives of the Authority designated in writing from time to time by an Authorized Officer of the Authority (the “**Representatives**”) to attend all portions (other than (1) portions exclusively devoted to Privileged Matters, as such term is hereinafter defined, and (2) portions exclusively devoted to Excluded Matters, as such term is hereinafter defined) of every meeting of the Board of the Borrower and of each and every committee thereof, (ii) provide to the Authority and each of the Representatives at least forty-eight (48) hours’ advance notice of each such meeting and of any action taken or purported to be taken by members of the Board of the Borrower (or any committee thereof) in lieu of a meeting, and (iii) provide to the Authority and each of the Representatives copies of all information and reports (other than information and reports dealing exclusively with Privileged Matters and/or Excluded Matters) distributed to, or otherwise made available to, voting members of the Board of the Borrower (or any committee thereof). All information and reports dealing with other Sensitive Matters, as such term is hereinafter defined, may be made available to the Representatives for review at a time convenient to the

Representatives and must be retained by the Borrower. For purposes of this paragraph (b), the term “**Privileged Matters**” shall mean only those communications between members of the Board of the Borrower and an attorney (with no other persons present) given solely for the purpose of obtaining legal advice relating to actual or threatened litigation against, or otherwise affecting, the Borrower such that said communication is entitled to attorney-client privilege; provided, that in no event shall Privileged Matters include matters relating to general operations, business strategy, financial condition or scope of services. For purposes of this paragraph (b), the term “**Excluded Matters**” shall mean only those matters consisting exclusively of (i) physician disciplinary issues and/or physician ethical issues, and (ii) protected health information within the meaning of the Health Insurance Portability and Accountability Act of 1996, as amended (HIPAA). For purposes of this paragraph (b), the term “**Sensitive Matters**” shall mean only those documents that contain strategically sensitive information which the Borrower believes must remain confidential. In the event the Representatives are not permitted to attend any portion of a meeting or are not provided with any information or reports on the grounds that same involves Privileged Matters, the Borrower shall (x) within forty-eight (48) hours following the holding of such meeting or the withholding of such information or reports, as applicable, provide to the Authority and each of the Representatives a written statement asserting such grounds and describing, in reasonable detail but without disclosing matters subject to the attorney-client privilege, the nature thereof, and (y) within thirty (30) days following the termination or abandonment of any related litigation, a full report as to such meeting and/or full copies of any previously-withheld information or reports. In the event the Representatives are not permitted to attend any portion of a meeting or are not provided with information or reports on the grounds that the same involves Excluded Matters, the Borrower shall, within forty-eight (48) hours following the holding of the meeting or the withholding of such information or reports, as applicable, provide to the Authority and each of the Representatives a written statement asserting such grounds. The rights of the Authority described in this paragraph (b) are collectively referred to as the “**Monitoring Rights**”.

The provisions of this Section shall be in addition to all other requirements of this Loan Agreement and the Master Indenture. Failure to comply with any of the provisions of

this Section shall constitute an Event of Default under this Loan Agreement, and compliance by the Borrower and the Obligated Group with the recommendations contained in any Consultant's report shall not absolve noncompliance with the provisions of this Section or any other provisions of this Loan Agreement or the Master Indenture. In addition to any other remedies provided under this Loan Agreement, the Master Indenture or otherwise, (i) the provisions of this Section may be enforced by the Authority in an action for specific performance against the Borrower, and (ii) if the Borrower shall fail to comply with the requirements of this Section, the Authority shall be entitled to notify members of the Board of the Borrower of such noncompliance at the addresses specified in the list(s) provided pursuant to [the section requiring the borrower provide that names and addresses of the borrower's board within thirty (30) days of the borrower's annual meeting] hereof. The rights and remedies provided for under this Section shall not be assigned by the Authority to the Bond Trustee, and may be enforced only by the Authority (and not by the Bond Trustee or any Holder of the Bonds). Unless otherwise directed by resolution of the Authority, any Authorized Officer of the Authority may, in his sole discretion, upon request from the Borrower, waive from time to time any of the rights and remedies provided in this Section, but any such waiver shall be in writing, shall be limited to the facts and circumstances so stated, and shall be without prejudice to any other rights and remedies the Authority may have (or may subsequently have) under this Section or otherwise.

BE IT FURTHER RESOLVED, that this Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of delivery) to the Governor of the State ("Governor") of the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

3. APPROVAL OF A POLICY ROUNDTABLE

Dr. Kazmir asked Mark Hopkins to present the details of the proposed Authority Policy Roundtable to the Members.

Mr. Hopkins told the Members that, in order to explore further the Authority policies benefitting our borrowers and to allow our borrowers to hear directly from our

bondholders, staff is proposing to hold a roundtable this spring. According to Mr. Hopkins, the roundtable would be staffed by the Authority's senior staff and certain support staff members. Hospital and health system Chief Financial Officers would be invited to attend along with bond analysts from the 20 largest holders of the Authority's publicly issued bonds. It is expected that the roundtable will cost approximately \$5,000 in facility rental fees and catering, which has already been included in the Authority's 2019 budget under the Meetings, Seminars and Educational Courses line item.

A preliminary proposed format for the roundtable was outlined in the memo provided in the Authority Members' meeting packets and is subject to input from Authority Members and the participants.

Staff believes that this roundtable may be one of the most important events for the Authority in many years. The information gleaned from the roundtable will enable the Authority to be more responsive to its borrowers and help borrowers understand the concerns of the people buying their bonds.

Mr. Hopkins concluded by asking the Authority Members' approval to hold the roundtable as described. He then offered to respond to any questions or comments from the Authority Members or the public.

Ms. Ford asked if the Authority had done this in the past.

Mr. Hopkins replied the Authority held a two-day retreat in 2007 that cost approximately \$2800 per day, including the meeting rooms and meals. That was a different type of event as we invited Authority Members, bondholders, bond counsels, underwriters. Authority members are not being invited to the proposed Roundtable because we want candid discussions among the borrowers and bondholders.

Ms. Ford wanted to know if there was one before that.

Mr. Hopkins said that he believed there was one, but it was before his time at the Authority.

Ms. Ford asked any other Authorities hold such events.

Mr. Hopkins responded that he did not know. He added that the EFA (Educational Facilities Authority) has held educational events for their borrowers.

Ms. Ford asked if any policy decisions would be made at this session.

Mr. Hopkins replied that the purpose is for staff to take notes and bring ideas back to the Authority Members. Staff would then present policy proposals to the Authority for approval. He added that there might also be a private retreat with just the Authority Members and staff to discussion the idea from the Roundtable. Mr. Hopkins stated that the concept came from the annual Investors Conference where each health care organization's

strategy is the main focus and from the New Jersey Investors Conference where the economic condition of the State is discussed.

Mr. Lovell asked if there would be any benefit to meet with the other state authorities that issue bonds.

Mr. Hopkins replied approximately 8-10 years ago there were quarterly meetings among the bond issuing authorities of the State and that there is some interest in renewing that. There was a meeting in January and there are plans for another in April or May.

Dr. Kazmir asked for a motion to approve a resolution permitting the Authority to hold a Policy Roundtable. Ms. Kralik 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 resolution was approved.

AB RESOLUTION NO. SS-47

WHEREAS, the Members of the Authority have reviewed the memorandum dated February 8, 2019 regarding the proposed Authority Policy Changes and Proposed Roundtable with Hospitals and Bondholder Analysts.

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a resolution to permit the Authority to conduct a Policy Roundtable with hospital financial executives, bondholder analysts and appropriate staff members and expend the funds necessary as already designated in the Authority's approved 2019 Budget under the line item "Meetings, Seminars and Educational Courses."

4. TEFRA AND CONTINGENT BOND SALE Virtua Health, Inc.

Dr. Kazmir announced that the following portion of the meeting was a public hearing in connection with the Virtua Health, Inc. transaction. He stated that this hearing is taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Dr. Kazmir asked Bill McLaughlin to provide the Members with the details of the transaction.

Mr. McLaughlin introduced Bob Segin, Executive Vice President & Chief Financial Officer, Gerry Lowe, Senior Vice President of Finance, and Bob Osler, Assistant Vice President for Treasury from Virtua Health.

Mr. McLaughlin informed the Members that they were being asked to consider a contingent sale of bonds on behalf of Virtua Health Inc. (“Virtua”), in an aggregate principal amount not to exceed \$215,000,000. The proceeds of the Series 2019 Bonds, together with other funds, will be used by Virtua to refund and redeem all or a portion of the Authority’s outstanding Virtua Health Issue, Series 2009A Bonds and pay the related costs of issuance.

Virtua is a New Jersey not-for-profit corporation established to operate, maintain, and conduct a regional health network serving Burlington, Camden, Mercer, Ocean, and Gloucester counties in New Jersey. Virtua has three (3) tax-exempt acute care hospitals: Virtua Marlton Hospital, Virtua Memorial Hospital in Mount Holly and Virtua Voorhees Hospital. Within the acute care hospitals, Virtua Health has over 900 licensed beds. Virtua is currently rated AA- by Standard & Poor’s and Fitch.

Mr. McLaughlin told the Members that the Series 2019 Bonds will be issued and sold on a direct purchase basis to T.D. Bank N.A. and will have a final maturity date of not later than July 1, 2038. The refunding of the outstanding Series 2009A Bonds through the issuance of the Series 2019 Bonds is expected to produce approximately \$56.3 million or 24.48% in present value savings for Virtua. The Series 2019 Bonds will be secured by payments made by Virtua under a Loan Agreement with the Authority, as evidenced and secured by a Promissory Note issued under and pursuant to the provisions of the Virtua’s Master Trust Indenture.

Mr. McLaughlin said that, in accordance with Authority policy, Virtua management was required to submit financial projections. The financial projections covering the years 2018 through 2022 were reviewed by staff prior to the mailing of the meeting packets.

Mr. McLaughlin concluded by saying that Bond Counsel John Kelly of Wilentz, Goldman & Spitzer P.A. would present the Bond Resolution for to this transaction. Following Mr. Kelly’s presentation, Mr. McLaughlin said that he, Mr. Segin, Mr. Lowe, Mr. Osler or Mr. Kelly would address any questions or concerns the Members may have regarding this transaction.

Mr. Kelly presented the following bond resolution:

BOND RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer P.A., Bond Counsel, stated that the Bond Resolution authorizes the issuance of tax-exempt Series 2019 Bonds in an aggregate principal amount not in excess of \$215,000,000 and provides that the Series 2019 Bonds shall have a final maturity date of no later than July 1, 2038. The Bond Resolution provides that the Series 2019 Bonds will bear interest at a fixed rate to maturity, subject to

adjustment as provided in the Trust Agreement pursuant to which the Series 2019 Bonds will be issued; provided that the true interest cost of the Series 2019 Bonds shall not exceed 4.00% per annum. The Series 2019 Bonds will be subject to redemption prior to maturity as set forth therein and in the Trust Agreement, provided, that the redemption price cannot be greater than 105%, except in the case of any optional “make-whole” redemption of the Series 2019 Bonds or as a result of the required payment of a breakage fee or similar prepayment or redemption charge.

The Series 2019 Bonds will be secured by payments made by Virtua Health under a Loan Agreement with the Authority. The obligations of Virtua under the Loan Agreement with the Authority will be evidenced and secured by a Promissory Note issued by Virtua under and pursuant to the provisions of a Master Trust Indenture and by amounts on deposit in certain funds held by the Bond Trustee pursuant to the Trust Agreement.

The Bond Resolution also approves the form of and authorizes the execution of a Direct Bond Purchase Agreement with TD Bank, N.A., for the purchase of the Series 2019 Bonds. The Direct Bond Purchase Agreement must be executed prior to the close of business on May 22, 2019. No disclosure document is being prepared in connection with the issuance of the Series 2019 Bonds and, as a result, the Bond Resolution also requires TD Bank, N.A. to provide the Authority with a travelling investor letter on or prior to the date of closing.

Additionally, the Bond Resolution approves the form of and authorizes the execution and delivery of (i) the Series 2019 Bonds, (ii) the Trust Agreement for the Series 2019 Bonds, and (iii) the Loan Agreement with Virtua Health for the Series 2019 Bonds. Further, the Bond Resolution appoints The Bank of New York Mellon, as Bond Trustee, Bond Registrar and Paying Agent for the Series 2019 Bonds. In addition, the Bond Resolution also authorizes the Authorized Officers of the Authority to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Trust Agreement, the Loan Agreement, the Direct Bond Purchase Agreement and the Letter of Instructions relating to the refunding of the Series 2009A Bonds, the completion of the refunding, and the issuance and sale of the Series 2019 Bonds.

Dr. Kazmir asked for a motion to approve a contingent bond sale on behalf of Virtua Health, Inc. Mr. Lovell made the motion. Ms. Kralik seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. SS-48

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled “A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING BONDS, VIRTUA HEALTH, INC. OBLIGATED GROUP ISSUE, SERIES 2019.”

(attached)

Dr. Kazmir congratulated Virtua Health and asked if they had anything to add.

Mr. Segin thanked the Authority for their approval. He added that they have \$600 million in debt that is all tax-exempt bonds with the Authority. Mr. Segin said that in his 35-year career with Virtua he has always had a great relationship with the Authority Members and staff. Mr. Segin then expressed support for the policy amendments approved at the meeting as well as the proposed Roundtable.

Dr. Kazmir then closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended regarding the proposed financings on behalf of Virtua Health, Inc.

5. 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-49

WHEREAS, the Members of the Authority have reviewed the memoranda dated February 20, 2019 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$34,600.00 and \$8,294.98 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.

6. STAFF REPORTS

Dr. Kazmir thanked staff for the Project Development Summary, Cash Reconciliation Report, Year-End Budget 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. Community Healthcare Associates completed its acquisition of The Memorial Hospital of Salem County from Community Health Systems on January 31. Under the new owners, the hospital will be called Salem Medical Center and be operated by a not-for-profit leasing the land and building from Community Healthcare Associates. The new hospital operator plans to invest more than \$30 million in renovating and modernizing the facility.
- b. University Hospital has launched a program to connect frequent visitors to its emergency department to social services, behavioral health specialists and other resources to provide early intervention for better care and reduced use of emergency services.
- c. The Camden Coalition of Healthcare Providers program of ensuring hospital patients see a primary care physician within a week of being discharged reduced hospital readmissions as much as 10% according to a study the Coalition published in JAMA Network Open, the online journal of the American Medical Association.
- d. Virtua Health opened a \$26 million health and wellness center in Camden that offers primary and specialty care, dental services, physical therapy, rehabilitation, behavioral health and a food pantry for patients.
- e. RWJBarnabas Health and ShopRite are combining to provide in-store wellness classes to help shoppers manage their weight and maintain overall wellness.
- f. RWJBarnabas Health also announced management restructuring including that Amy Mansue has been promoted to Executive Vice President and Chief Experience Officer and David Mebane is now Executive Vice President and General Counsel. It will now have a southern region, led by Bill Arnold as President of the Southern Region, which includes Monmouth and Ocean counties. Nikloas Alexiades will be Chief Financial Officer for the Southern Region. Richard Davis will be the Chief Financial Officer of the Northern Region and St. Barnabas Medical Center. Gail Koslya, who was

previously Chief Financial Officer of Hunterdon Medical Center, has joined RWJBarnabas as Chief Financial Officer for the Central Region and RWJUH Hamilton. Steve Rusinko has been named interim CEO of Hunterdon Medical Center.

- g. St. Michael's Medical Center has appointed Carolyn Allen as Chief Financial Officer. Ms. Allen was previously regional Chief Financial Officer of the Western Region of WVU Medicine and prior to that was CFO for Southcoast Health System and Sharon Hospital.
- h. Healthgrades recently identified Morristown Medical Center as one of "America's 50 Best Hospitals." Healthgrades also identified Overlook Medical Center as one of the 100 Best Hospitals and AtlantiCare Regional Medical Center – Mainland and Valley Hospital as one of the 250 Best Hospitals.
- i. Holy Name Medical Center has been selected to improve the rate of cancer screening of Asian-Americans by the Hospital Community Cooperative, a program of the American Hospital Association with support from the Aetna Foundation.
- j. Inspira has installed the final beam in its Mullica Hill Leading-Edge Cancer Center. The center will be adjacent to Inspira's new hospital currently under construction, which was largely financed by Authority bonds.
- k. The former Kennedy Health System is seeing the benefits of becoming part of Jefferson Health with additional capital and IT investments.
- l. Prime Healthcare and its CEO Prem Reddy have settled false claims allegations brought as a result of unnecessary admissions and billing for more expensive diagnoses at two Pennsylvania hospitals: Roxbury Memorial and Lower Bucks. The settlement amount was \$1.25 million.
- m. An ROI interview of Commissioner Shereef Elnahal on his one-year anniversary quotes him as saying it is the "hardest and best job" he has ever had.
- n. Late last month Governor Murphy announced the launch of Nurture NJ, a statewide awareness campaign to reduce infant and maternal mortality and morbidity and ensuring equitable maternal and infant care for all races and ethnicities.
- o. The New Jersey Department of Human Services announced earlier this month that it has created the Office of Medicaid Innovation to "improve quality, delivery and cost of care" for the nearly 20% of State residents on Medicaid. The New Jersey Health Care Quality Institute has created a

Medicaid Policy Center, funded by The Nicholson Foundation, to pursue similar goals, work in partnership with State agencies and organizations. It will also deliver independent research, analysis and policy proposals.

- p. A report by the New Jersey Hospital Association's Center for Health Analytics, Research and Transformation (CHART) found the State's poorest zip codes have the highest rates of individuals with chronic diseases seeking care in emergency rooms. The report also showed a relationship between poor health status and employment status, income and nutrition.
- q. In other New Jersey health care news:
 - i. a NJ Spotlight article on the Trust for America's Health report entitled "Promoting Health and Cost Control in States" identifying which non-medical programs have proved successful in improving health outcomes and reduced healthcare disparities, noting that New Jersey has implemented all but two of the 15 programs found to be successful;
 - ii. an op-ed by Suzanne Ianni, CEO of the Hospital Alliance of NJ, urging the State to target Charity Care payments to safety net hospitals to prevent reductions in funding from the federal Medicaid disproportionate share payments;
 - iii. on op-ed by Jon Dolan, CEO of the Health Care Association of New Jersey, warning that the State's new minimum wage law will significantly increase the labor costs of long-term care facilities that will require additional funding from the State; and
 - iv. an article on the high hopes for the New Jersey Innovation Institute's New Jersey Information Network Statewide health information exchange.

In National Health Care News:

- r. An article about the need for, but confusion around, charges posted recently for some eastern Pennsylvania hospitals as a result of the Center for Medicare and Medicaid Services' (CMS) requirement that hospitals to post their charges for all their services as of January 1, 2019.
- s. A study published in Health Affairs found hospital prices for inpatient services grew 42% from 2007 to 2014, while physician prices rose only 18%. For outpatient services hospital prices grew 25%, while physician prices grew 6% over the same period. The study used data from employer-sponsored health insurance from Aetna, Humana and UnitedHealthcare Group.

- t. A study from AllianceBernstein found that hospitals mark-up drugs three to seven times more than what Medicare charges for the same medication.
- u. A survey of health system leaders finds reducing costs and improving the patient experience are their top concerns.
- v. Modern Healthcare metrics show that 53.2% of the nation's stand-alone hospitals lost money on an operating basis in each of the last five years while only 25.9% of system-owned hospitals had operating losses over the same period.
- w. The New York Times cites reviews by a Carnegie Mellon University economist as evidence that hospital mergers do not improve health care outcomes.
- x. A Washington Post article explores whether patients benefit when small hospitals ally with big ones.
- y. The number of hospital-owned physician practices increased 128%, from 35,700 to 80,000, from July 2012 to January 2018 according to a study by Avalere Health and the Physicians Advocacy Institute. Additionally, hospital-employed physicians rose 70.8%, from 94,700 to 168,800 over the same period.
- z. According to a study by Rice University researchers published in Medical Care Research and Review, "Physician-hospital integration did not improve the quality of care for the overwhelming majority of these measures," i.e. the practice of preventive care for surgical patients, whether doctors or nurses communicated well or whether the patient would recommend the hospital to others. The authors speculated that quality may not be the primary reasons physicians and hospitals are forming closer relationships, but rather increased profits might be the reason.
- aa. Nevertheless, a study published in the JAMA Internal Medicine suggests hospitals should invest in primary care to ensure patients receive high-value care.
- bb. The Center for Medicare and Medicaid Innovation is launching a five-year pilot program in early 2020, which will incentivize paramedics to encourage Medicare fee-for-services beneficiaries to seek alternatives to emergency rooms such as tele-health or non-emergency department treatments when appropriate. The current reimbursement policy only reimburses paramedics when they bring Medicare fee-for-service patients to hospitals, skilled nursing facilities and dialysis centers. The pilot program will reimburse

paramedics for treatment in place with a qualified healthcare practitioner, either in-person or through tele-health, or transport to health care clinics.

- cc. Civica Rx, the not-for-profit generic drug company formed by a consortium of hospitals and health care systems, expects to offer 20 generic drugs in 2019 to alleviate drug shortages and treat life-threatening conditions.
- dd. CMS projects that healthcare spending will hit 19.4% of the nation's gross domestic product in 2027, an annual average increase of 5.5% from 17.9% in 2017. The project growth is slightly faster than in the last few years and is attributable to price increases and increased utilization and intensity due to the aging baby boomer population.
- ee. In Other National Health Care News articles are included on:
 - i. how blockchain can help save the healthcare system;
 - ii. how Amazon-JPMorgan-Berkshire Hathaway's health venture will start small;
 - iii. how patients' digital health adoption rose from 2015 to 2018, including telemedicine, wearables, mobile tracking, online provider reviews and online health information; and
 - iv. the difficulties on getting patients to adopt telemedicine and virtual care.
- ff. Finally, the Health Care Cost Institute's 2017 Health Care Cost and Utilization Report has been provided to Authority Members. The report provides a wealth of information on health care cost and utilization data and bond trends.

In Tax and Regulatory News:

- gg. The Internal Revenue Service has published its final regulations regarding changes to the TEFRA notice, hearing and approval requirement for private activity tax-exempt bonds. Key changes include that notice may be made by publication on the issuer's website, instead of in a newspaper, radio or television broadcast in the region of the project, and that publication is presumed reasonable notice if it is made at least seven days in advance of the hearing, rather than the previous 14 days.
- hh. The Bond Buyer published an article about how tax-exempt municipal bonds are becoming favored investments for investors seeking to save taxes to offset the loss of the full deduction of state and local taxes in states with high state and local taxes, like New Jersey.

- ii. The City of Philadelphia filed a class action lawsuit against major banks and broker-dealers for allegedly artificially high reset interest rates on variable rate demand obligations. The suit contains similar allegations to ones filed by whistleblower Edelweiss Fund LLC in California, Illinois, Massachusetts and New York.

- jj. The municipal bond market may become more transparent if it adopts a new machine-readable technology called Extensible Business Reporting Language, or XBRL, and standardized definitions and financing documents. Documents in XBRL allow a computer to process the information in documents, benefiting investors by making it easier to compare data. Currently most municipal bond documents are shared in PDF format. The Security and Exchange Commission's EDGAR website, for publicly traded disclosure provided by companies, uses XBRL. Proponents of adopting XBRL argue that improved transparency will make the municipal bond market more liquid, benefiting both issuers and investors. Issuers, however, are concerned about the costs and resources that would be needed to adopt XBRL.

2. Authority News

- a. TD Bank has extended their Letter of Credit for the Capital Asset Program until January 31, 2022.

- b. Carole Conover celebrated her 20th anniversary at the Authority last week.

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 11:00 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 FEBRUARY 28, 2019.

Ron Marmelstein, Assistant Secretary