

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

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

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

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

George Loeser, Attorney General's Office and Lauren LaRusso, Governor's Authorities Unit (via telephone initially, arrived at 10:15 am.)

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 February 28, 2019 Authority Meeting

Minutes for the Authority's February 28, 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. 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. Ms. Rodriguez made the motion to approve the expenses. Mr. Lovell 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-50

WHEREAS, the Members of the Authority have reviewed the memoranda dated March 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 \$17,557.50 and \$55,560.05 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 Update.

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

Mr. Hopkins reported the following:

1. Mr. Hopkins reminded the Authority Members and Senior Staff that they are required to file Financial Disclosure Statements with the State Ethics Commission by no later than May 15, 2019. Filings must be made electronically through the State Ethics Commission website. Late filers will be subject to a fine of up to \$50 per day. Authority Members are required to file the somewhat less onerous disclosure for Public Officers (not Public Employees). Mr. Hopkins added that if the Members have any questions about the process please, they should call him or Robin Piotrowski, the Authority's Ethics Liaison Officer.
2. Hospital & Other News
 - a. Frank Troy has prepared a spreadsheet, provided to Authority Members, with 2016, 2017 and 2018 median operating margins for all New Jersey hospitals, along with those for single-site hospitals, system hospitals and consolidated systems.
 - b. The State Commission of Investigation has issued a report critical of the monitoring of CarePoint Hospitals: Bayonne Medical Center, Christ Hospital and Hoboken University Medical Center. The report cited that the CarePoint hospitals combined made approximately \$157 million in payments for management services to entities owned primarily by the owners of the hospitals. The Department of Health has already begun

drafting regulations regarding related entities and working with the Authority to improve the monitoring of hospital payments for management services.

- c. Ralph Muller will be stepping down as Chief Executive Officer of the University of Pennsylvania Health System at the end of June after serving as CEO since 2013. Kevin Mahoney will take over as CEO on July 1. Mr. Mahoney has been with Penn Medicine since 1996, most recently as Executive Vice President and Chief Administrative Officer.
- d. St. Michael's Medical Center has named Carolyn Allen as its Chief Financial Officer. Ms. Allen has over 30 years of experience and has worked as a CFO at hospitals around the country, most recently as CFO of the Western region of WVU Medicine.
- e. Atlantic Health System's president and CEO, Brian Gragnolati, discusses bringing a New Jersey consciousness to his position as chair of the American Hospital Association.
- f. Trinitas Regional Medical Center is in negotiations with RWJBarnabas Health to explore a partnership. The outcome of the negotiations is expected within 90 days.
- g. Geisinger Health System has entered into a joint venture with Highmark Health to create a nonprofit health system in four north-central Pennsylvania counties.
- h. Robert Wood Johnson University Hospital Somerset has settled with the city of Somerville to pay \$2.5 million in lieu of property taxes for the eight-year period from 2016 through 2023.
- i. In ratings news:
 - i. S&P Global Ratings has affirmed its "BBB" rating on approximately \$84.6 million in bonds issued in 2016 and 2017 by the Authority on behalf of Trinitas Regional Medical Center; however, the outlook was revised from positive to stable, primarily due to reduced volume.
 - ii. Moody's Investors Service affirmed its "Ba1" rating on approximately \$139 million in bonds issued in 2007 and 2011 by the Authority on behalf of Saint Peter's University Hospital with an outlook of stable.
 - iii. Moody's downgraded Geisinger Health System's outstanding bonds from "Aa2" to "Aa3" and revised its outlook from negative to stable.

- iv. Moody's also issued a "Sector In-Depth" paper noting that the rise in uninsured population is a negative for consumers, hospitals and governments.
- v. Fitch Ratings released a special report on healthcare maintaining an outlook of negative but expressing optimism for the future.

3. In State Health Care News:

- a. Governor Murphy has announced that New Jersey will create its own State-based health care exchange in time for next fall's open enrollment period. This will eliminate the State's reliance on the federal health care marketplace.
- b. Medicare has released its star rating system for all hospitals. New Jersey hospital rankings have been provided.
- c. Governor Murphy's budget for Charity Care payments to hospitals will remain unchanged for the State's fiscal year 2020 at \$262 million. However, hospitals will need to be connected to the New Jersey Health Information Network to be eligible to receive reimbursement for the Charity Care they provide and one-twelfth of their Charity Care payments will be conditioned on reporting of key indicators, including the number of Charity Care patients that are connected to follow up preventative and primary care upon discharge.
- d. Commissioner of Health, Dr. Shereef Elnahal, announced new regulatory guidance to align licensure requirements and improve access to behavioral health care. The guidance furthers the goal that care for physical conditions, mental health and substance abuse disorders are integrated and coordinated.
- e. Commissioner Elnahal also touted the importance of being able to access patients' health records and interoperability at the New Jersey Innovations Institute's annual Showcase at the New Jersey Institute of Technology.
- f. Orion Health issued a case study entitled "Creating a Fully Integrated Healthcare Environment" based on its work for Horizon Blue Cross Blue Shield of New Jersey.
- g. Other articles on New Jersey health care provided today include:
 - i. Coordinated information exchanges are targeting social determinants of health, citing the work of the Camden Coalition;

- ii. The high cost of housing in New Jersey is a big factor in county health rankings;
- iii. The increase in behavioral health treatment is being threatened by the fee-for-service payment model introduced under the Christie Administration according to the CEO of CarePlus NJ; and
- iv. A WalletHub study finds that New Jersey is the fourth worst state for doctors.

4. In National Health Care News:

- a. A study performed by the Hospital for Special Surgery in New York City concluded that CMS's Star Ratings do not adequately account for the risks of undergoing certain procedures at certain hospitals, particularly joint replacement surgery.
- b. The Health Care Cost Institute analysis of more than 1.8 billion commercial health insurance claims revealed that utilization dropped 17% from 2012 to 2016 but prices increased 13%.
- c. The Pioneer Institute found that there was little correlation between what a patient pays for a service and the amount an insurer pays or the overall price of a procedure. The study used data from the Massachusetts Center for Health Information and Analysis analyzing the cost of knee MRIs at 14 Massachusetts hospitals in May 2015. The authors of the study suggested linking transparency with financial incentives for consumers to select high-value providers with the lowest cost.
- d. A Tufts University and Brigham and Women's Hospital study found that Medicare and Medicaid costs could fall by over \$100 billion if healthy foods, such as fruits, vegetables, whole grains, nuts, seafood and plant oils, were 30% subsidized for beneficiaries.
- e. Health Care leaders plan to offer more programs on the social determinants of health according to a survey of 185 leaders. Thirty-nine percent of the leaders planned to develop programs addressing transportation with 27% planning to address food insecurity/access, 23% benefits coordination for public assistance, 19.4% social isolation and 15.3% housing insecurity.
- f. CarePort is offering technology to allow providers to monitor patients once they leave the hospital and enter a skilled nursing facility to improve outcomes and lower readmissions. Cooper University Health Care's Accountable Care Organization is utilizing the technology that gives patient care coordinators and health care providers the ability to intervene in real-time if the patient experiences a health crisis.

- g. The U.S. Department of Health and Human Services Office of Inspector General has decided that a nonprofit medical center may provide free, in-home follow-up care to reduce readmissions despite the potential for that service to violate the federal Anti-Kickback statute.
- h. A survey of more than 500 C-suite health care executives found that while 94% of them felt that population health was either moderately or critically important to their future success, only 21% said they are currently very prepared to take on population health despite, in 2016, 45% saying that they expected to be very prepared to take on population health by 2018.
- i. JAMA Internal Medicine published a study of 17 million Medicare hospitalizations between 2010 and 2016 that found that patients discharged to their homes were 5.6% more likely to be readmitted to the hospital within 30 days compared to patients discharged to a skilled nursing facility. However, there were no detectable differences in mortality or functional outcomes and patients discharged to their home had lower Medicare payments.
- j. CMS will cut payments to 800 hospitals in fiscal year 2019 due to patient safety incidents under the Hospital Acquired Conditions Reduction Program created by the Affordable Care Act.
- k. A new 200-page health care bill proposed by Rep. Bruce Westerman (R-Ark.) seeks to reduce health care cost, overhaul the Affordable Care Act and require closer examination of health care consolidation.
- l. Medicare Payment Advisory Commission preliminary data shows hospitals' Medicare margins continue to decline to a negative 9.9% in 2017 (the lowest level in a decade). Nevertheless, hospitals aggregate all-payer margins have increased to 7.1% with operating margins at 5.9% in 2017.
- m. Senate Finance Committee Chair Chuck Grassley (R-Iowa) is reviving his push for more oversight of not-for-profit hospitals to make sure they are providing enough charity care to justify their tax-exempt status. Of particular concern are hospitals' aggressive collection practices and whether they are publicizing their financial assistance policies widely enough to poor patients. Sen. Grassley is expected to call hospitals before his committee to testify.
- n. The health care venture formed by Amazon, Berkshire Hathaway and JPMorgan Chase has been named Haven. Its first mission is to lower costs and improve the health of the three companies' employees. However, there has been much speculation as to whether Haven will reach into the larger health care market. The recent hiring of the Senior Medical Director of

Partners Population Health has some believing the organization may be building a risk-based clinically integrated network.

- o. In regulatory, municipal bond and tax news, articles are being provided on:
 - i. The Securities and Exchange Commission (SEC) is attempting to clarify whether certain leasing arrangements would be required to be disclosed under the recent amendments to SEC Rule 15c2-12;
 - ii. The two additional disclosure requirements in the recent amendment to SEC's Rule 15c2-12 are complicating bond sales particularly for mid-size, infrequently issuing municipalities;
 - iii. The Municipal Securities Rulemaking Board is seeking permission from the SEC to require municipal bond underwriters to provide more data on new offerings of bonds to promote transparency and equal access to information; and
 - iv. More highly rated obligors on bonds are considering using private placements and direct purchases to better negotiate terms with the bond purchasers and eliminate the cost of underwriters.

Dr. Kazmir asked Mr. Hopkins how many New Jersey hospitals are among the 800 hospitals targeted by CMS for payment cuts. Mr. Hopkins replied that the state-by-state breakdown would come later. He added that hospitals in the lower quartile usually face cuts.

As there was no further business, following a motion by Ms. Ford and a second by Ms. Rodriguez, the Members voted unanimously to adjourn the meeting at 10:27 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 MARCH 28, 2019.

Carole A. Conover, Assistant Secretary