

Minutes of the New Jersey Health Care Facilities Financing Authority Meeting held on July 25, 2019 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, Suzette Rodriguez, Public Member

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

Mark Hopkins, Frank Troy, Ron Marmelstein, Bill McLaughlin, Carole Conover, Alpa Patel, Edwin Fuentes, Taryn Rommell, Michael Solidum 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; John Kelly, Wilentz, Goldman & Spitzer P.A.; and, via telephone, Mark Sblendorio, Vice President of Legal Services of St. Luke's Health Network

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:10 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 23, 2019 Authority meeting. 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 June 27, 2019 Authority Meeting

Minutes for the Authority's June 27, 2019 regular meeting were distributed for review and approval prior to the meeting. Dr. Kazmir asked for a motion to approve the minutes. Ms. Kralik made the motion. Mr. Lovell seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. Dr. Kazmir then called for a vote. All Members voted in the affirmative and the minutes were approved.

2. AMENDMENT TO THE BOND DOCUMENTS Holy Name Medical Center

Dr. Kazmir asked Edwin Fuentes to explain the reason for the amendment to the Members.

Mr. Fuentes told the Members that, on behalf of Holy Name Medical Center (the “Borrower”), the Authority staff was requesting the approval of: *A Resolution Amending The Resolution Authorizing The Issuance Of New Jersey Health Care Facilities Financing Authority Refunding Bonds, Holy Name Medical Center Obligated Group Issue, Series 2020, Adopted On June 27, 2019* (the “Amending Resolution”).

Mr. Fuentes reminded the Members that, at the June 2019 Authority Meeting, they approved a contingent bond sale for the privately placed Holy Name Medical Center Series 2020 bonds. Originally, the bond resolution for the transaction only allowed for the bond proceeds to be utilized to refund the Series 2010 bonds maturing on July 1, 2025. However, when the purchaser structured the Series 2020 bonds for \$20.3 million, they included refunding the bonds maturing on July 1, 2020 and July 1, 2025. The Borrower originally expected to use its own funds to pay off the 2020 maturity. They now desire to use proceeds from the Series 2020 bonds to pay off the Series 2010 bonds maturing on July 1, 2020, as well as those maturing July 1, 2025. Approval of the resolution presented to you today will allow for this. Therefore, the Authority staff recommends your approval of the resolution.

Mr. Fuentes then introduced John Kelly of Wilentz Goldman and Spitzer, Bond Counsel for the Series 2020 transaction, to present the Amending Resolution pertaining to the 2020 Series.

Mr. Fuentes concluded by saying that, following the presentation, he or Mr. Kelly would address any issues or questions the Members may have.

SERIES 2020 – AMENDING RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer, P.A., Bond Counsel, stated that, in order to effectuate the changes which have been previously described, a resolution entitled “*A Resolution Amending The Resolution Authorizing The Issuance Of New Jersey Health Care Facilities Financing Authority Refunding Bonds, Holy Name Medical Center Obligated Group Issue, Series 2020, Adopted On June 27, 2019*” (the “Amending Resolution”), has been prepared for consideration and adoption by the Board members. The Amending Resolution amends the original Bond Resolution adopted by the Board on June 27, 2019 to permit the proceeds from the sale of the Series 2020 Bonds to be used for the refunding and redemption of all of the Authority’s outstanding Revenue and Refunding Bonds, Holy Name Medical Center Issue, Series 2010. The Amending Resolution also authorizes the Authorized Officers of the Authority to execute and delivery such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Amending Resolution.

Dr. Kazmir asked for a motion to approve the amendment to the documents for Holy Name Medical Center Series 2020. Ms. Rodriguez offered the motion. Mr. Lovell seconded. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. Dr. Kazmir called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. TT-10

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled, “**A RESOLUTION AMENDING THE RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING BONDS, HOLY NAME MEDICAL CENTER OBLIGATED GROUP ISSUE, SERIES 2020, ADOPTED ON JUNE 27, 2019.**”

(attached)

3. CAPTIVE INSURANCE AUDIT WAIVER **St. Luke’s Warren Hospital**

Dr. Kazmir called upon Taryn Rommell to explain St. Luke’s Warren Hospital’s request for a captive insurance audit waiver to the Members.

Ms. Rommell began by introducing Mark Sblendorio, Vice President of Legal Services of St. Luke’s Health Network, who was attending the meeting by telephone.

Ms. Rommell reminded the Members that in May 2015, the Financial Accounting Standards Board issued a new standard (ASU 2015-09) which applies to property and casualty insurance entities such as St. Luke’s Health Network Insurance Company, a Reciprocal Risk Retention Group (the “RRRG”) domiciled in Vermont. The standard would require RRRG to disclose in the footnotes to its financial statements, reserves and claims for specific years rather than in total as it has done historically. RRRG’s counsel believes this information would prejudice the RRRG during claim negotiations with plaintiffs. The expanded footnote disclosures are required for RRRG’s beginning with fiscal period ending December 31, 2017. The Vermont Department of Financial Regulation (the “DFR”), the regulatory body charged with oversight of the RRRG, has recognized the disadvantage that these enhanced disclosure requirements may place on small, privately held, insurance companies such as the RRRG. In April 2017, the DFR released a memo, included in the board packets as Exhibit A, which states the DFR’s willingness to grant a waiver to exclude the new disclosures required by the provisions of ASU 2015-09. Management of the RRRG applied to the DFR by letter to obtain such waiver that was granted on October 24, 2017. The request and approval is included in the board packets as Exhibit B. Management of the RRRG discussed the permitted practice allowed by its regulator with their independent auditor, Crowe LLP. Crowe has indicated that Generally Accepted Accounting Principles would require Crowe to issue a qualified opinion due to the omission of year specific disclosure in the footnotes. The qualified opinion is included in the board packets as Exhibit C. It should be noted that the only reason a qualified opinion would be given is due to the omission of year specific disclosure in the footnotes and not any issue with the basic financial statements or financial condition

of the RRRG. Pursuant to Section 6.11 of the Series 2013 Loan Agreement, the hospital is required to deliver evidence 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 the Authority). Therefore, a waiver attached in the board packet, is requested so that a qualified opinion will not deem the RRRG noncompliant due to the 2018 Audit. This will have to be revisited in future years to decide if the Authority would like to grant the waiver again to the RRRG.

Ms. Rommel told the Members that the Authority has not received any other requests for such waivers from any other institutions to date. She added that St. Luke's Health Networks' Audit would remain unqualified. It is only St. Luke's Health Network Insurance Company, a Reciprocal Risk Retention Group, that will receive the qualified opinion due to the omission of certain footnote disclosures discussed. The Attorney General's office has reviewed the waiver and has no objection to the Members' consideration of this request.

Ms. Rommel asked if the Members had any questions. There were no questions.

Dr. Kazmir asked for a motion to approve the captive insurance audit waiver for St. Luke's Warren Hospital. Mr. Lovell offered the motion. Ms. Kralik seconded. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. Dr. Kazmir called for a vote. Dr. Kazmir, Ms. Kralik, Mr. Lovell and Ms. Rodriguez voted in the affirmative, Ms. Ford abstained and the motion passed.

AB RESOLUTION NO. TT-11

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby authorizes approving the captive insurance audit waiver for St. Luke's Warren Hospital; and,

BE IT FURTHER RESOLVED, that the Executive Director is authorized to execute said document and take any related actions necessary to effectuate the waiver.

4. APPROVAL OF EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Ms. Ford made the motion to approve the expenses. Ms. Rodriguez seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. Dr. Kazmir 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. TT-12

WHEREAS, the Members of the Authority have reviewed the memoranda dated July 17, 2019 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$12,255.80 and \$15,080.00 respectively, and have found such expenses to be appropriate;

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby approve all expenses as submitted, and authorize the execution of checks representing the payment thereof.

5. STAFF REPORTS

Dr. Kazmir thanked staff for the Project Development Summary, Cash Reconciliation Report and Legislative Update.

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

Mr. Hopkins reported the following:

1. Marcela Ospina Maziarz is serving as Interim Acting Commissioner of the Department of Health following the departure of Dr. Shereef Elnahal last week. Dr. Elnahal has started his position as president and Chief Executive Officer of University Hospital. Governor Murphy's nominee for the next Commissioner of Health, Judy Persichilli, is expected to join the Department on August 5th as Acting Commissioner, until she is confirmed by the Senate as Commissioner.
2. Mercadian has informed Authority staff that it does not wish to enter into the final possible one-year extension of its auditing contract with the Authority. Therefore, Authority staff will be preparing a draft Request for Proposals ("RFP") for review by the Evaluation Committee, consisting of Ms. Rodriguez and Dr. Kazmir. Once the RFP is approved it will be distributed to eligible auditing firms. Proposals will be evaluated by the Evaluation Committee who will rank them for the Audit Committee's consideration. The Audit Committee will review the proposals and recommendations of the Evaluation Committee and make a recommendation to the Authority Members who will then vote on the appointment of an auditor at a public meeting of the Authority.
3. Before reporting on hospital news, Mr. Hopkins asked Frank Troy to provide highlights of what he learned at the Pennsylvania Institute of Certified Public Accountants Health Care Conference last month.

- a. Mr. Troy reported on a number of pertinent topics. His presentation is attached.

4. Hospital & Other News

- a. A list of NJBiz's top hospitals includes Hackensack University Medical Center, Morristown Medical Center, Saint Barnabas Medical Center, the Valley Hospital and Robert Wood Johnson University Medical Center as its top five hospitals respectively.
- b. Virtua Health has completed the acquisition of Lourdes Health System increasing Virtua's system from three hospitals to five. The acquisition includes Our Lady of Lourdes Medical Center in Camden and Lourdes Medical Center of Burlington County in Willingboro, which will now be known as Virtua Our Lady of Lourdes Hospital and Virtua Willingboro Hospital, respectively.
- c. Trinity Health, the former parent of Lourdes Health System and current parent of St. Francis Medical Center in Trenton, has named Michael Slubowski as its new president and Chief Executive Officer. Mr. Slubowski was formerly Chief Operating Officer at Trinity. He replaces Dr. Richard Gilfillan who announced his departure last December, effective June 30th. Trinity, a Catholic health system, has 92 hospitals in 22 states.
- d. Atlantic Health System has named Dr. Sylvia Romm as Chief Innovation Officer. Dr. Romm was formerly Vice President of Clinical Transformation at American Well, a video-based telemedicine company and also founded MilkOnTap, the nation's first telehealth company focused on the needs of nursing mothers.
- e. RWJBarnabas Health and Rutgers Health have appointed Amato Amarain as the Chief Financial Officer of Combined Medical Group resulting from the academic medical partnership between the health system and Rutgers University. Mr. Amarain was formerly the vice president of finance at Northwell Health.
- f. The University Hospital board of directors unanimously adopted its first strategic plan since becoming an independent entity of the State. The plan focuses in foundational strategies, including quality, safety, reliability and leadership, to drive improvement in community health, primary and specialized services, innovation, research, education and financial stability.
- g. Bayshore Medical Center in Holmdel, part of Hackensack Meridian Health, is planning to expand its emergency department by 32,000 square feet and add additional parking spaces.

- h. Capital Health has acquired a medical facility in Langhorne, Pennsylvania where it expects to offer both inpatient and outpatient services. The facility has four operating rooms and inpatient beds. Capital has not yet decided what services it will offer in the facility. Capital has three other facilities in Bucks County, all primary care offices.
- i. Geisinger is planning to issue up to \$1 billion of bonds this summer through the Geisinger Authority in Montour County, Pennsylvania. The proceeds will be used to finance acquisition, renovation and construction of buildings and equipment in eight counties of Pennsylvania and in Atlantic County, New Jersey.
- j. The joint venture of Atlantic Health System and Kindred Healthcare has completed a \$24 million, 38-bed rehabilitation hospital in Madison, called Atlantic Rehabilitation Institute.
- k. Robert Wood Johnson University Hospital Somerset opened its first home under its Healing Homes Social Impact and Community Investment Initiative. The two-bedroom home across the street from the hospital will provide housing for an individual or family with a chronic or acute health condition that causes financial hardship for up to 24 months. Residents will be assigned a case manager who will help them learn to manage their finances, take care of their health and successfully transition to be independent.
- l. St. Joseph's Health has unveiled its Barclay Street housing development, the first project of the New Jersey Housing and Mortgage Finance Agency's Hospital Partnership Subsidy Program. The Program promotes hospital investment in affordable and supportive housing in their communities with units set aside for special needs residents and/or people experiencing frequent utilization of hospital emergency department services. The program combines low interest loans, tax-credits, private equity, hospital capital contributions and other special needs program funding. The project is expected to be completed in spring of 2021.
- m. Senator Richard Codey sponsored a bill to provide a \$7.5 million grant to East Orange General Hospital to expand its behavioral health services. The bill was passed by the legislature and signed by the Governor July 16th.
- n. New Bridge Medical Center, the State's largest hospital, has become an in-network provider with Horizon Blue Cross Blue Shield of New Jersey and the two are focusing on utilizing New Bridge's uniquely large behavioral health services for a general hospital to create a model of integrating physical medicine with behavioral health treatment.

- o. CarePoint Health recently announced dozens of layoffs at its three hospitals, reigniting criticism of the for-profit system's financial compensation to its owners described in a March report from the State Commission of Investigation. Since the report, the Department of Health has been communicating with the CarePoint executive team regularly and has scheduled a listening session with stakeholders later today to discuss proposed regulations that would address the criticisms in the SCI report.
- p. Jefferson Health has launched a direct primary care practice in Haddonfield. For a monthly membership fee of \$125 patients can access family medicine physicians and have more in-depth visits and telehealth services without co-pays, deductibles or their insurance being billed.
- q. Kevin Slavin, the CEO of St. Joseph's Regional Healthcare System acknowledges that patients want more care in the home and technology and telehealth are helping that become more of a reality. The added cost of developing these services is a large driver in St. Joseph's desire for a partnership, noting any partnership must preserve its Catholic identity and current governance structure.
- r. Geisinger has a plan to alleviate physician shortages by providing a cohort of the medical students at its Geisinger Commonwealth School of Medicine by eliminating of their medical school costs if they work for the Geisinger for four years in specialties needed by Geisinger after graduation.
- s. Geisinger is also developing a suite of machine learning-powered digital solutions to identify patients at risk of high-burden diseases. Geisinger has engaged Israeli healthcare software company Medial EarlySign to work with Geisinger's Steele Institute for Health Innovation to implement the solutions starting from an existing EarlySign product.
- t. Dr. Mitesh Patel, a University of Pennsylvania assistant professor of medicine and health care management, has created a "Nudge Unit" for Penn Medicine to leverage behavioral economics and psychology to nudge clinicians and patients to make the most appropriate choices. University of Chicago economist Richard Thaler won a Nobel prize for the concept, which was adopted by the British government in 2010 to see if it could induce Britons to make healthier and wiser choices. It was a success and has been adopted by numerous other countries. The article attached gives examples of how little nudges improved patients' health and saved money.
- u. Consensus Health in Marlton has seen significant success in improving patient outcomes and lowering costs utilizing the Center for Medicare and Medicaid Service's ("CMS") Comprehensive Primary Care Plus ("CPC+") program. CPC+ is an advanced medical home model to strengthen primary care through regionally based multi-payer payment reform and care delivery

transformation. The focus on rewarding providers for preventive medicine resulted in Consensus reducing hospitalizations of his Medicare population by 26% and emergency room visits by 32% from 2016 through 2018.

- v. Prospect Medical Holdings has entered into a \$1.55 billion sale-leaseback agreement with Medical Properties Trust for its real estate assets in California, Connecticut and Pennsylvania. Prospect's East Orange General Hospital in New Jersey and their properties in Rhode Island and Texas are not part of the sale-leaseback. The funds from the transaction, which is expected to close in the second half of 2019, will be used to retire Prospect's existing long-term debt.
- w. An appellate court has upheld a lower court's decision to dismiss Deborah Heart & Lung Hospital's 2009 claims that Virtua Health was interfering with Deborah's business but ruled a jury should decide whether Virtua and a group of cardiology doctors intentionally tried to divert patients from Deborah or conspired to force Deborah to shut down.

In New Jersey Health Care News:

- x. In addition to New Jersey, four other states are also taking over operations of the Affordable Care Act health care exchanges from the federal government: Nevada, New Mexico, Oregon and Pennsylvania.
- y. According to Rutgers University research, 3% of heart attack patients return hospitals with lower "care" scores due to a new heart attack within 30 days. Those who were admitted to a teaching hospital had a 25% lower incidence of being readmitted.
- z. An article is included discussing how home-based health care is growing in New Jersey.

In National Health Care News:

- aa. A recent Robert Wood Johnson Foundation report says housing should be a top priority for health care systems and payers, noting where people live impacts their health through factors such as the quality of schools, availability of jobs, access to nutritious food and places to play and exercise.
- bb. In 2010, CMS announced it would penalize hospitals for certain readmissions within 30 days. It did not announce it would apply to hip and knee replacement surgeries until August 2013. Oddly, from 2010 through 2013, 30-day readmissions for knee and hip surgeries were halved. However, after the penalties for knee and hip surgery readmission were announced in August of 2013, reduction in readmissions continued but at a much reduced rate.

- cc. Hospitals in CMS's Comprehensive Joint Replacement payment model saved nearly \$1,000 per episode of care while maintaining the quality of care over the first two years of the program. Medicare was also estimated to save \$17.4 million.
- dd. In an effort to improve transparency of hospitals, pricing President Trump signed an executive order requiring hospitals to make public information based on their negotiated rates with insurers as well as to require both insurers and health care providers to give patients estimates for out-of-pocket costs for procedures in advance. The Department of Health and Human Services will need to create regulations to implement the order. Legal challenges are expected.
- ee. The Federal Trade Commission is encouraging scholars to research whether hospital mergers are helping or harming patients.
- ff. TransUnion Healthcare analysis found that out-of-pocket costs for patients are rising despite more patients choosing lower-cost settings of care.
- gg. CMS plans to release the feedback it received on potentially changing its methodology for calculating overall hospital quality star ratings later this summer. A technical expert panel created by CMS will prepare recommendations for changes based on the feedback received. As a result, the Hospital Compare data preview reports did not contain updated star ratings.
- hh. Other articles on national health care news include:
 - i. Private equity's investment in health care has become more frequent and diversified in recent years and is likely to continue;
 - ii. Urgent care centers create an opening for entrepreneurs to capitalize on the frustrations of patients' difficulty in scheduling doctors' appointments;
 - iii. Uber and Lyft continue to build their footprints in nonmedical emergency transportation, envisioning a potential \$15 billion opportunity;

In Regulatory News:

- ii. The Municipal Securities Rulemaking Board ("MSRB") has asked the Securities and Exchange Commission ("SEC") to approve a new standard for Rule G-17 that would streamline disclosures underwriters provide to issuers at the beginning of each deal. Citing complaints that the disclosures

have become burdensome, too long and boilerplate, the proposed new standard would make the information provided less burdensome for underwriters and more meaningful for issuers.

- jj. The SEC approved amendments to MSRB Rule G-11 for primary offerings and Rule G-32 for disclosures in connections with primary offerings that require more information from underwriters about new offerings of bonds but eliminate the need for dealer financial advisors to provide official statements to the underwriters. The amendments will take effect January 13, 2020.
- kk. Extensible Business Reporting Language (“XBRL”), seeking to offer issuers a way to standardize bond documents to be machine-readable, has released a second draft of its technology taxonomy adding 300 concepts to allow municipal bond issuers more flexibility. Proponents of the XBRL technology believe it will make it easier for investors to compare data, and note that since 2009 the SEC has required documents to be filed in XBRL on EDGAR. Municipal bond issuers have been reluctant to adopt the new technology. This second draft of the taxonomy seeks to answer some of the issuers’ concerns about flexibility.

5. Authority News

- a. Mr. Hopkins informed the Members that last month, Authority Human Resource Manager Robin Piotrowski became a grandmother for the first time on June 7, 2019 when Robin’s daughter Paige gave birth to Josie Elizabeth Clark. Some of you may remember Paige from her work at the Authority as the Database Administrator from February 2013 through January 2015. He offered congratulations to Robin, Paige and her husband.
- b. Chris Kniesler celebrates his 5-year anniversary at the Authority on July 28th.
- c. Earlier in the morning Mr. Hopkins received the sad news that incoming acting Commissioner Persichilli’s husband had passed away.

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 11:01 a.m.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY MEETING HELD ON JULY 25, 2019.

Carole A. Conover, Assistant Secretary