

# AUTHORITY NOTES

Spring 2010

## FROM INCOMING CHAIR DR. POONAM ALAIGH

I am truly humbled that Governor Chris Christie has called upon me to lead the New Jersey Department of Health and Senior Services. In working with the staff at the Department, I have found some of the most dedicated and talented individuals committed to improving the health and well-being of all New Jerseyans. As you know, we face extraordinarily difficult choices in the year ahead, but I know we can improve our health care system, maintain access to quality health care, protect the public health and improve care for our seniors.



Despite the deep cuts and shared sacrifice required of everyone, Governor Christie's budget ensures that the most vulnerable of our populations -- the uninsured, seniors and families with children with special needs -- are protected.

During these challenging economic times when families across the state are struggling, Governor Christie has demonstrated his commitment to the uninsured by supporting the health care safety net. His budget recommends a 10% increase in state funding for charity care to help hospitals care for uninsured patients.

The Governor's budget supports the Department's mission to foster accessible and high-quality health and senior services to help all people in New Jersey. As we work to improve and protect the health of our residents, I look forward to partnering with all of you to generate innovative solutions to improve the health care provided in our great state. §

## NJHCFFA WELCOMES NEW MEMBERS

The Authority consists of seven Members, three of whom are ex-officio (the Commissioner of Health and Senior Services, the Commissioner of Human Services, and the Commissioner of Banking and Insurance) and four of whom are individuals of the public, nominated by the Governor and confirmed by the Senate.

In March 2010, the New Jersey Senate confirmed Governor Chris Christie's nominees who will serve as ex-officio Members of the Authority. Tom Considine will serve as Commissioner of Banking and Insurance, and Commissioner Jennifer Velez will continue to lead the Department of Human Services. Dr. Poonam Alaigh was confirmed as Commissioner to head the Department of Health & Senior Services.



*On January 27, 2010, Governor Christie announced his nomination of Dr. Poonam Alaigh to serve as Commissioner of Health and Senior Services.*

As Commissioner of Health and Senior Services, Dr. Alaigh will serve as the Authority's Chairperson. Dr. Alaigh was the Executive Director at Horizon Blue Cross Blue Shield of NJ and previously served as the national medical director for GlaxoSmithKline. A board certified internist with a vascular diseases specialty, Dr. Alaigh lives in Warren Township and does clinical work at the NJ Veterans Administration at Lyons. She is also is an Assistant Professor in the Department of

*(continued on page 5)*



*Lakewood's CHEMED - the first borrower through the Authority's new FQHC loan program*

## NJHCFFA ISSUES FIRST FQHC LOAN

In August, the Authority announced a new loan program to ease the burden of start-up costs for Federally Qualified Healthcare Centers (FQHC). On January 29, 2010, the Center for Health Education, Medicine and Dentistry, known as CHEMED, became the first benefactor of that new program.



*CHEMED's family-friendly interior*

FQHCs are community-based health centers designed to provide medically underserved low-income or indigent patients with out-patient primary care, preventive care and some specialty care. Because they are specifically designed for this purpose, services can be provided in a much more cost-efficient manner, and members of the community can act preventatively to maintain good health, which reduces health care costs in the long run.

"FQHCs play a very important role in New Jersey's health care system and are generally self-sustaining once they have been operational for some time," said Heather

*(continued on page 5)*

## MESSAGE FROM THE EXECUTIVE DIRECTOR

Another year has passed as we continue our climb to economic recovery from the financial depths of '08 and '09. All in all, 2009 turned out to be a strong year for the Authority with \$836,425,500 issued in bonds.

A large part of that total is comprised by the issuance of \$564,645,000 on behalf of Virtua Health, Inc. in what has been the Authority's largest financing to date. It was great to be part of such an exciting project and to watch it unfold as the hospital designs and plans become a reality.

We also spent a large amount of time and effort on the bankruptcy of St. Mary's Hospital and its subsequent reorganization. After almost a year in bankruptcy, on March 1, 2010 St. Mary's emerged from bankruptcy with a reorganization plan. Under the plan, St. Mary's will pay the Authority \$2.2 million annually until 2040, which will repay the bonds in full, but over a longer period of time than originally scheduled under the bond documents. As such, there will be a small loss on a present-value basis, but the hospital facilities will be able to remain open with the current staff and leadership intact.

St. Mary's is the only one of five New Jersey hospitals that declared bankruptcy since 2007 that has not had to close or sell its assets. We are pleased to see everyone work together to provide continuous health care and employment in the city of Passaic.

Looking forward, the Authority has some very exciting endeavors on the horizon. We are intimately involved in the dissemination of approximately \$11.4 million in federal grants for Health Information Technology and Implementation Projects under the American Recovery and Reinvestment Act of 2009. We also expect to create Energy Financing programs for hospitals seeking to convert their facilities to more conserving formats.

This all will be done with the help of our new Authority Members who join our current staff and Membership in pursuit of our mission to ensure that all health care organizations have access to financial resources to improve the health and welfare of the citizens of New Jersey. §

## NJHCFFA LAUNCHES NEW WEBSITE

At the end of 2009, the Authority released a new and improved version of its website. Located at the same web address, [www.njhcffa.com](http://www.njhcffa.com), the site expands its offering of services in a more user-friendly format.

"We are pleased to offer this interactive experience of who we are and what we do," says Mark Hopkins, Executive Director.

Like the previous version, visitors to the website can access information on recent financings, projects that are under development, and monthly meeting activity, all within a few clicks. Borrowing organizations will still be able to view detailed descriptions of Authority financing vehicles, but can also now view a simplified color-coded chart explaining the complete financing process and a full sample of financing applications outlining the information needed to pursue a best-fit financing option.

Other business organizations seeking to work with the Authority, such as financial institutions and bond counsel firms, can now use the "Doing Business with the Authority" page for details on the processes used to select firms for Authority transactions as well as information on how a firm can be qualified to be considered in those roles. Visitors can also see which firms are currently qualified in what capacity to serve the Authority.

In addition to the Authority's newsletters and annual reports (which continue to be available online), website visitors can also now access the annually updated "Acute Care Hospitals of New Jersey" map directly from the homepage. The new edition of the map will be available for downloading in May 2010.

"This site will not replace our well-reputed hands-on staff," assures Mr. Hopkins. "Instead, it further enhances our work by providing those on the receiving end with access to a wide array of visual aids to complement our discussions."

Visit us online at [www.njhcffa.com](http://www.njhcffa.com) to experience the new one-stop shop for Authority information. §

## FINANCING NOTES

On January 27th, the Authority issued \$15 million in bonds on behalf of Shore Memorial Hospital, a not-for-profit, 296 licensed-bed facility located in Somers Point. The issue was a follow-up to \$30 million issued by the Authority on their behalf last September.



Top: Rendering of Shore Memorial's new pavilion; Middle and Bottom: Actual construction of the pavilion site

In 2009, Shore Memorial approached the Authority with an interest in financing \$45 million to fund the construction and equipping of a new surgical pavilion. Earlier that year, the American Recovery and Reinvestment Act created new parameters for bank qualified bonds (tax-exempt bonds for which a financial institution, in this case TD Bank, can deduct the carrying costs associated with the bonds). This, in turn, can help the hospital negotiate a more favorable interest rate.

(continued on page 3)

The new parameters for bank qualification stated that the borrower could not issue more than \$30 million in one year. As such, the working group decided to break the issuance up and issue \$30 million in 2009 with a follow-up issuance of \$15 million in 2010.

The two issues have parallel variable rate structures with a matching final maturity date of July 1, 2039. Both series are priced based on an index rate that equals 69% of the sum of the 30 Day LIBOR plus a spread of 350 basis points, determined initially on the closing date and recalculated monthly. This does not mean, however, that the two series have matching interest rates since each closed on different dates of the month. The 2010 bonds bore an initial interest rate of 2.57%.

The new 4-story surgical pavilion funded by the 2009 and 2010 bonds will include a new hospital entry, new outpatient procedure facilities, and a new surgical suite along with patient and staff support areas. A three-story connector and five-story elevator tower will link the new construction to the existing hospital.

The 2009 Shore Memorial bonds were the Authority's first bank qualified issuance, due to changes made in the criteria by the American Recovery and Reinvestment Act which redefined "issuer" as the entity using the proceeds, thereby reallocating limits set on the issuer from the Authority to the borrower.

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**O**n December 11, 2009, the Authority issued \$12,765,000 on behalf of Hunterdon Medical Center, a 178-bed non-profit community hospital and member of the New Jersey Council of Teaching Hospitals affiliated with the University of Medicine and



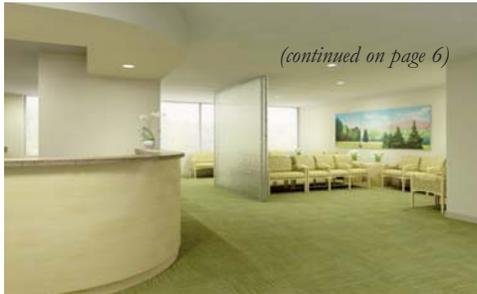
Hunterdon Medical Center

Dentistry of New Jersey at Robert Wood Johnson Medical School.

Privately placed with TD Bank, the bonds fit the criteria for bank-qualification. The bonds were initially priced at sixty-nine percent of the sum of Thirty-Day LIBOR plus two hundred eighty basis points. Concurrent with the closing of the transaction, Hunterdon entered into a fixed rate swap, which created a synthetic fixed rate of 4.107% for the life of the bonds. The final maturity date of the bonds is July 1, 2036.

The proceeds of the bonds were used to refund approximately \$8 million worth of Authority 1990 Series A bonds. Hunterdon also used the proceeds to finance capital budget items including information technology for both the hospital's main campus in Flemington and the health and wellness facility in Clinton.

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Rendering of Chilton's Comprehensive Breast Center

**O**n November 10, 2009, the Authority issued \$39,195,000 on behalf of Chilton Memorial Hospital, a non-profit 256-bed facility servicing residents from more than 33 communities in Morris, Passaic, Sussex, Bergen and Essex counties.

The issue was structured as a fixed rate financing with serial bonds ranging from 2012 through 2020 and three term bonds in 2024, 2029 and 2039. The bonds were sold on the basis of Chilton's credit rating of "Baa1" by Moody's and "BBB+" by



Chilton Memorial Hospital

Standard & Poor's and received an all-in true interest cost of 5.96%.

Proceeds were used to refund \$12.5 million of outstanding 1993 revenue bonds issued by the Authority on Chilton's behalf and to refinance a commercial bank loan for roughly \$10.9 million, which originally funded the construction of an MRI addition.

Proceeds from the sale were also used to renovate and expand the cardiac catheterization lab and nursing units, relocate and renovate surgical facilities and patient areas, and purchase various pieces of equipment. The project includes the renovation and expansion of the Comprehensive Breast Center, which, according to Chilton representatives, will expand in size by 20% and feature warm and welcoming spaces. Further enhancements will include a larger waiting room with a private registration area, a separate waiting room for women who need additional testing, and a third digital mammography machine. §

(continued on page 6)

## WHY SHOULD AN INTEGRATED DELIVERY SYSTEM CONSIDER A CREDIT RATING?

*A third Authority Note\$ installment from A.M. Best*

**I**n the summer 2009 issue of NJHCFFA's *Authority Note\$*, we discussed the fact that there are many interested parties with a stake in the financial stability of a hospital or health care system who would value the transparency a rating can provide. There are many types of transactions that touch one or more aspects of a hospital or health care system's operations, including financing,

(continued on page 6)

# NJHCFFA STAFF NOTES



Ron Marmelstein receiving his 20-year recognition from Executive Director Mark Hopkins

**C**ongratulations to Ronald S. Marmelstein, Wanda Lewis, Mae Jeffries-Grant and Emmerson E. “Gene” Sullens, all of whom celebrated milestone anniversaries with the Authority. Ron celebrated 20 years of employment with the Authority in November 2009. In February, both Wanda and Mae celebrated 25 years with the Authority, while Gene celebrated his tenth year of service.



Wanda Lewis (above) is recognized for 25 years of service while Gene Sullens is honored for his 10 years of service by Deputy Executive Director Steve Fillebrown



As Senior Account Administrators, Ron and Wanda maintain accounts established for Authority bond issues and invest funds and summarize and classify financial data specific to the accounts. Their lengthy experience with the Authority has made them both incredible resources for the back-end of the Authority’s financings.

Gene, the Authority’s IT Specialist, has masterfully kept the Authority free of business-halting technology problems and has helped to ensure that the Authority’s equipment is up to date and effective.

Sadly, Mae Jeffries-Grant passed away March 29 after a long battle with cancer. Mae excelled in her role as Administrative Assistant to the Project Management team, maintaining outstanding organization of the numerous documents involved and always responding immediately and cheerfully to requests for information or assistance. A woman of many talents, Mae most enjoyed planning events and spending time with family and friends. Mae was motivated by the well-being of others and supportive of various outreach activities. She was a jewel who will be missed by all of us here at the Authority and we extend our heartfelt condolences to her husband Ernest and their five children and nine grandchildren.



Mae Jeffries-Grant

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**T**he Authority is pleased to welcome three new staff members who joined our team during the first quarter of 2010.

At the end of March, **Brooke Liebowitz** stepped into the role of Communications Specialist vacated by Stephanie Bilovsky who is taking a leave of absence. Brooke comes to us with extensive communications experience from the public, private, and non-profit sectors. Her background includes seven years as the Executive Director the Literacy Volunteers of Hunterdon County. Prior to that, Brooke served as the External Affairs and Corporate Communications Specialist at Bank Boston where she also managed their corporate philanthropy and sponsorship programs. Her government experience includes time spent as the Community Affairs and Grants Coordinator in the Office. She received her Bachelor of Arts from Hunter College with a double major in Communications and Urban Affairs and Planning, with a minor in Political Science. Brooke is a former Councilwoman from the Borough of Flemington.



Brooke Liebowitz

**Tammy Trovato** is the Authority’s new administrative assistant in the Project Management Division. Tammy was until recently an Assistant Vice President/Legal Assistant at Merrill Lynch, where she also served as a Statement Corrections Supervisor and Third Party Litigation Senior Analyst. Prior to that, she was a Project Manager at AT&T Local Network Services.



Tammy Trovato

Tammy is pursuing paralegal studies at Raritan Valley Community College and has a Computer Graphics Certificate from Alpha Train Computer Training Center.

**Tracey D. Cameron** is serving as the Authority’s new Office Management Assistant/Receptionist. Tracey previously provided administrative assistance to Trenton’s Local Initiatives Support Corporation (LISC) and worked as a Sales Associate and Scoring Coordinator for the Educational Testing Service in Ewing. After spending a few years in Florida working for the Safe Children Coalition, the Authority is grateful that she has returned to her New Jersey roots to grace its offices with her welcoming presence and keen administrative skills.



Tracey D. Cameron

The Authority also welcomes **Osato Chitou**, who is interning here at the Authority through the Governor’s Executive Fellowship from the Rutgers’ Eagleton Institute of Politics. Scheduled to graduate this May with a Rutgers law degree, Osato also has a Masters in Public Health from the University of North Carolina at Greensboro and a Bachelor’s Degree in Biological Anthropology from Boston University.



Osato Chitou

The Authority staff looks forward to working with its newest team members.

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## NJHCFFA STAFF NOTES

**O**n December 21, 2009, the newest Authority baby entered the world. Assistant Account Administrator, Jessica Waite gave birth to a healthy baby boy named Noah, measuring 20 inches long and weighing 8 pounds. Congratulations to Mom, Dad, and big sister MacKenzie. Jess returned to work in February, while baby Noah is busy practicing his bond lingo and scanning the interest rate indices.



Jess Waite and baby Noah

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**T**he Authority is pleased to announce the return of Senior Account Administrator, Wanda L. Lewis. Wanda, who had been out for medical leave, returned to the Authority at the start of 2010. While she continues to recover, Wanda's presence is a symbol of strength and resolve. "We are so glad to have her back and to hear her laugh in the office again," says Executive Director, Mark E. Hopkins.



Wanda Lewis

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**T**he Authority continues to send warm wishes of hope and words of encouraging support to our friend and colleague Susan M. Tonry who is out on medical leave. §



The staff of the New Jersey Healthcare Facilities Financing Authority - circa January 2010.

## NEW MEMBERS

(continued from front cover)

Family Practice at UMDNJ/Robert Wood Johnson University Medical School. She served as president of the American Heart Association-North Jersey (of which she is still a board member). She sits on the College of New Jersey's board of trustees. Dr. Alaigh received her medical degree and her Masters in Health Care Policy and Management from the State University of New York at Stony Brook.

Tom Considine most recently worked as vice president and government relations counsel for MetLife. Considered an industry leader, Considine served on the Board of Directors of the National Organization of Life and Health Insurance Guaranty Associations and on the Life and Health Insurance Guaranty Association Board of Directors in both New Jersey and Pennsylvania.



Tom Considine

He also served as a founding appointee to the Department of Banking and Insurance Financial Services Advisory Board. Prior to joining MetLife, Considine served as a litigation associate at Connell, Foley and Geiser. He received his law degree and his undergraduate degree from Seton Hall University.

The Authority also welcomes a new Public Member. Suzette T. Rodriguez, Esq. was nominated by Governor Corzine on December 14, 2009 and confirmed by the State Senate on January 11, 2010.

Ms. Rodriguez, an associate at LeClairRyan in Newark, is a member of the Labor and Employment Group with a focus on discrimination, harassment and retaliation. Prior to joining LeClairRyan, Ms. Rodriguez was an associate at Princeton's Wong Fleming, P.C., and served as a law clerk for the Honorable Travis L. Francis of the Superior Court of NJ, Chancery Division, and as a judicial extern for the Honorable Marina Corodemus, Superior Court of NJ, Civil Division-Mass Torts.



Suzette T. Rodriguez

Ms. Rodriguez is currently President-Elect for the Hispanic Bar Association of NJ and the Deputy Regional President (Region III) for the Hispanic National Bar Association. She also serves on the Advisory Board of the NJ Legal Education Empowerment Project (NJ LEEP). Having received her B.A. from Hunter College and her J.D. from Rutgers School of Law-Newark, she is a member of both the New York and New Jersey State Bar Associations.

Ms. Rodriguez joins Public Members Gustav Edward Escher, III and Ulysses Lee. Authority staff members look forward to working with the new members in pursuit of the Authority's mission. §

## FQHC LOAN

(continued from front cover)

Howard, Commissioner of Health and Senior Services at the time the loan was approved. "The hurdles lie in the costs of starting up new entities."

While FQHCs do receive start-up funding from federal grants, they are often forced to seek the remainder of these costs through expensive conventional bank loans. CHEMED, which provides comprehensive adult and pediatric primary care, behavioral health, and dental services, opened its doors to patients in February 2008. When applying for the Authority's loan program, CHEMED had \$4.9 million of debt bearing interest at 10% maturing between 2010 and 2016.

Through the Authority's loan program, CHEMED received \$2 million at a low monthly variable rate equal to the monthly interest rate paid by the New Jersey Cash Management Fund plus 200 basis points. At the time of closing, this resulted in an interest rate of approximately 2.25%. CHEMED used the funds to refinance a portion of its 10% interest rate loan, yielding significant operational savings for the facility. Former Commissioner Howard added, "This program is a good way to help CHEMED, one of New Jersey's few new FQHCs, meet those start-up costs at a more reasonable rate."

The FQHC loan program is a revolving pool. As the principal and interest on each loan is repaid, those funds can be lent to another start-up FQHC. §

## INTEGRATED SYSTEM RATINGS

(continued from page 3)

funding, contract negotiation, regulatory compliance, and ultimately, solvency. But are there additional reasons for obtaining a rating when a hospital is part of an integrated delivery system?

Many health care systems use captive insurance companies as a risk-management tool and to contain medical malpractice premiums. In addition, many health care systems own or affiliate with a health insurance company. The benefits of such integrated delivery systems include negotiating leverage with other managed care payors, creating a stable revenue stream and achieving economies of scale. The benefits of having health insurers and captives get rated include increased access to brokers and reinsurers, fulfillment of regulatory requirements and better appeal to E&O carriers, to name a few.

When rating such systems, A.M. Best does not evaluate the insurance company as a “stand-alone” insurance carrier, but rather as part of a larger organization with system-wide financial, technology and management talent resources.

During the evaluation, the analytical team spends a substantial amount of time looking at both the system and the insurer. Rating analysts try to ascertain a better understanding of financial and operational issues, in addition to the economics between the system and the insurer and the

## A FOND FAREWELL TO FORMER COMMISSIONER HEATHER HOWARD



Heather Howard

Authority. Under the guidance of Ms. Howard, the Authority issued \$2,103,220,000 on behalf of sixteen New Jersey health care providers.

The Authority bids a fond farewell to the former Commissioner of Health and Senior Services, Heather Howard, who served from November 2007 to January 2010.

The Commissioner of Health and Senior Services serves as the Chairperson of the Authority. Under the guidance of Ms. Howard, the Authority issued \$2,103,220,000 on behalf of sixteen New Jersey health care providers.

During her tenure, Ms. Howard participated in the *Commission on Rationalizing New Jersey's Health Care Resources*, which identified strategies to improve New Jersey's health care system. Ms. Howard then helped to facilitate those recommendations through legislation and regulation, including the creation of hospital stabilization grants, requiring training of hospital board members, requiring annual public meetings of hospital boards, limiting prices hospitals could charge to low-income, uninsured patients, creating an early warning system to monitor hospital finances and allowing the State to intervene to prevent financial crises.

As Commissioner, Ms. Howard battled a tumultuous economy and its resulting financial difficulties for the health care industry. She helped preserve critical access to health care throughout the State and eased distress caused by hospital closures, consolidations and reorganizations.

In recognition of her service, Authority Members passed a Resolution of Appreciation on her behalf. Ms. Howard thanked the Authority for its “wonderful tools” to help New Jersey's health care systems. She lauded the selection of Dr. Alaiigh to serve as the next Commissioner and asked the Authority to never cease thinking broadly to find ways to improve New Jersey's health care network. §

system's level of commitment to its subsidiaries.

The financial strength rating of the captive or health plan demonstrates the insurer's ability to pay its claims, while the issuer credit rating of the health care system and hospitals shows whether the owner can act as a “financial backstop” for the insurer if needed. This two-tiered approach provides a complete financial profile of the system.

To learn more about A.M. Best's health care credit ratings, visit our website at [www.ambest.com](http://www.ambest.com) or contact Michael Hoppes, business development manager, at (908) 439-2200 x5154. §



### SENIOR NJHCFFA STAFF

Mark E. Hopkins  
Executive Director

Stephen M. Fillebrown  
Deputy Executive Director,  
Director of Research, Investor Relations and  
Compliance

James L. Van Wart  
Director of Operations and Finance,  
Custodian of the Public Record

Louis R. George  
Director of Project Management

### NJHCFFA MEMBERS

#### Ex-Officio Members

Poonam Alaigh, M.D.

Commissioner of Health & Senior Services

Jennifer Velez, Esq.

Commissioner of Human Services

Tom Considine, Esq.

Commissioner of Banking & Insurance

#### Public Members

Gustav Edward Escher, III.

Ulysses Lee

Suzette T. Rodriguez, Esq.

The Authority currently has one Public Member vacancy.