Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on June 25, 2015 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following ***Authority Members*** *were in attendance:*
Brian O'Neill, Designee of the Commissioner of Health (Chairing); Greg Lovell, Designee of the Commissioner of Human Services; Maryann Kralik, Designee of the Department of Banking and Insurance; Dr. Munr Kazmir, Public Member; and, via telephone, Elisa Charters, Vice-Chair; and, Suzette Rodriguez, Public Member.

The following ***Authority staff members*** *were in attendance:*
Mark Hopkins, Steve Fillebrown, Ron Marmelstein, Michael Ittleson, Carole Conover, Bill McLaughlin, Carl MacDonald, Frank Troy, Taryn Rommell, Jessica Lucas, Ellen Lieber, Debra Coons, Edwin Fuentes, Nino McDonald, Ibrahim Omar and Chris Kniesler.

The following ***representatives from the State and/or the public*** *were in attendance:*
Cliff Rones, Attorney General's Office; Lisa LeBoeuf, Governor's Authorities Unit; Jessica Feehan, Department of Human Services; Scott Kobler, McCarter and English; Frank Pipas, Hackensack University Medical Center; from CHEMED, Dr. Dovid Friedman, Josh Fogel, Miri Dorfman and Yaakov Schwartz.

CALL TO ORDER

Executive Director Mark Hopkins called the meeting to order at 10:05 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 28, 2015 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post,* enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

Mr. Hopkins recommended that in the absence of the Chair, and as the Vice Chair was participating by phone, that a Chair pro tem should be named. Dr. Kazmir nominated Brian O'Neill to serve as Chair pro tem for the June 25, 2015 meeting and Mr. Lovell seconded. All Members voted in the affirmative and the motion carried.

1. APPROVAL OF MINUTES

A. May 28, 2015 Authority Meeting

Minutes for the Authority's May 28, 2015 Authority meeting were distributed for review and approval prior to the meeting. Mr. O'Neill asked for a motion to approve the minutes. Dr. Kazmir made the motion. Ms. Charters seconded. The vote was unanimous and the minutes were approved.

2. NEGOTIATED SALE REQUEST
Atlantic Health System

Mr. O'Neill announced that Atlantic Health System was requesting a negotiated sale of bonds and asked Executive Director Mark Hopkins to provide the details to the members.

Mr. Hopkins informed the Members that the presentation served as both a request to proceed with a negotiated sale in the form of a public offering, as well as an informational presentation for the proposed refunding for Atlantic Health System (AHS) He then informed the Members that a revised resolution for the negotiated sale was provided that correctly identified that this is a request for a negotiated sale in the form of a public offering, not a private placement.

Mr. Hopkins said that AHS has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately $137 million, the proceeds of which will be used to currently refund all of the NJHCFFA issued AHS Series 2008A Revenue Bonds, fund a debt service reserve fund, if required, and pay the related costs of issuance.

Mr. Hopkins stated that AHS is a 501(c)(3) not for profit organization that currently operates Morristown Medical Center, in Morristown NJ, Overlook Medical Center in Summit NJ, Newton Medical Center in Newton NJ, and Chilton Medical Center in Pompton Plains NJ.

According to Mr. Hopkins, the Authority currently has five active series of bonds issued on behalf of AHS totaling nearly $450 million. The issues consist of Series 2011, of which $127 million remains outstanding, Series 2008A, with $136 million outstanding, Series 2008 B & C, each with $88.5 million outstanding, and the Series 2001 transaction with $9.7 million outstanding. In addition to the tax-exempt bonds, AHS has $3.3 million of debt outstanding in the Authority's Capital Asset Program, a $50 million taxable term loan, and $200 million of Series 2015 taxable bonds outstanding.

Mr. Hopkins reported that the audited financial statements from 2014 indicate that AHS had an excess of revenues over expenses of $111.0 million compared to $70.4 million for the same period of 2013. Excluding bassinets, AHS has 1490 licensed beds and employs approximately 7500 people. AHS is currently rated "A1/A+" from Moody's and S&P respectively. Based on audited numbers for year-end 2014, AHS has 199 days cash on hand, an operating margin of 2.78% and debt service coverage of 7.22 times, all well above state medians for the respective categories.

In addition, AHS's Annual Inpatient Utilization Trends for the period 2013 to 2014 are positive. Licensed beds increased to 1490 beds in 2014 from 1248, resulting in inpatient admissions increasing from 64,000 in 2013 to over 74,000 in 2014. Inpatient days increased to 368,000 in 2014 from 310,000 in 2013, while the occupancy rate has remained relatively constant at 67.81%.

Mr. Hopkins said AHS has asked that the Authority permit the use of a negotiated sale based on: large issue size. This reason is considered under the Authority's policy regarding Executive

Order #26, to be a justification for the use of a negotiated sale. Mr. Hopkins recommended the consideration of the resolution, approving the use of a negotiated public offering and the forwarding a copy of the justification in support of said resolution to the State Treasurer.

Mr. Hopkins told the Members that AHS is currently conducting competitive processes to name a senior managing underwriter for the bonds as well as to make a recommendation for bond counsel. Amongst the criteria used in making these selections are; price, financial strength of the institution and knowledge of the marketplace.

Mr. Hopkins asked if there were any questions on the transaction.

Mr. Lovell asked if there were any co-managers appointed. Mr. Hopkins replied that they would be selected at a later date and that three (3) or four (4) may be used.

Mr. O'Neill then asked the Members preference on the recommendation. Dr. Kazmir made the motion to approve the resolution authorizing a negotiated sale in the form of a public offering. Mr. Lovell seconded the motion. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. PP-01

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26."

(attached)

3. NEGOTIATED SALE REQUEST
Hackensack University Medical Center

Mr. O'Neill announced that Hackensack University Medical Center was requesting a private placement form of negotiated sale of bonds. Mr. O'Neill asked Executive Director Mark Hopkins to provide the details to the Members.

Mr. Hopkins began by introducing Frank Pipas for Hackensack University Medical Center. He then informed the Members that the presentation served as a request to proceed with a negotiated sale in the form of a private placement, a request for an exception to Authority policy governing required meetings for new money transactions, as well as an informational presentation on the proposed financing for Hackensack University Medical Center ("Medical Center").

Mr. Hopkins stated that the Medical Center is a not-for-profit 501(c)(3) corporation located in Hackensack, New Jersey with Hackensack University Health Network (the “Network”) being its sole corporate member. It operates a 735 bed general acute care, teaching hospital that provides secondary, tertiary and quaternary levels of care on both inpatient and outpatient bases. In April 2015, Palisades Medical Center became corporately affiliated as a full member of the Network. Subsequently, during May 2015, the Network entered into a definitive agreement to merge with Meridian Health System, which merger is pending regulatory review.

According to Mr. Hopkins, the Medical Center has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately $84 million, the proceeds of which will be used: (1) to fund the acquisition cost of a Medical Arts Building and adjacent parking lot; (2) to fund a debt service reserve, if necessary; and (3) to pay the related costs of issuance.

In total, Hackensack University Medical Center has approximately $389.7 million of Authority issued debt outstanding. The Medical Center’s most recent Authority financings were the Series 2010B Revenue and Refunding Bonds insured by Assured Guaranty. The $121.24 million of total proceeds for that transaction were used to refund the Series 1998 bonds and to pay related costs of issuance.

Mr. Hopkins further stated that the annual audited financial statements for 2014 indicate that the Medical Center had excess of revenues over expenses of $99.4 million compared to $82.2 million for the same period of 2013. For year-end 2014, Hackensack University Medical Center had over 162 days cash on hand, an operating margin of 6.71% and debt service coverage of 5.38 times.

Mr. Hopkins informed the Members that the Medical Center has asked that the Authority permit the use of a negotiated sale based on the sale of bonds for a complex or poor credit, sale of a complex financing structure, volatile market conditions, large issue size and programs or financial techniques that are new to investors. These reasons are considered, under the Authority’s policy regarding Executive Order #26, to be justifications for the use of a negotiated sale.

Mr. Hopkins also explained that, under the Authority’s policies, a Borrower must justify the use of a private placement by showing it is either less expensive on a present value basis to complete a private placement or that there are other circumstances that would limit the effectiveness or usefulness of a negotiated sale using a public offering.

Although the Hospital’s credit ratings are currently A3 from Moody’s and A- from Fitch, both “investment grade,” the Medical Center believes that a private placement offers an expedited execution timeline, greater structuring flexibility and lower overall transaction costs. Therefore, Mr. Hopkins recommended the consideration of the resolution approving the use of a private placement form of negotiated sale and forwarding a copy of the justification in support of said resolution to the State Treasurer.

Hackensack University Medical Center has selected TD Bank, N.A. as the "Purchaser" of the Series 2015 bonds. Proposals for the provision of bond counsel services are currently being evaluated, with a decision expected within the next week.

Mr. Hopkins also stated that due to the time sensitivity of this financing and fact that this transaction is proposed as a private placement, the Medical Center requested that the Authority make an exception to its usual policy of requiring separate meetings for approval of a negotiated sale and informational presentation when there is a new money financing. Staff agreed with the Medical Center's request and recommends that the Authority Members approve, that, under these circumstances, one meeting is sufficient for both the approval of the negotiated sale and the informational presentation.

Mr. Hopkins added that, should the Members approve this request to pursue a private placement form of a negotiated sale and provide for an exception to policy governing required meetings, it is anticipated that staff will be requesting your approval of a contingent sale of bonds at the Authority's July Meeting.

Mr. Hopkins then offered to answer any questions on the transaction.

Mr. O'Neill asked for an explanation on the change in the number of meetings for the transaction.

Mr. Hopkins replied that for new money financings there are usually three (3) meetings. First, is to comply with Executive Order #26. Second, is the informational presentation meeting where, Members are given information about the project. Finally, there is the Contingent Bond Sale. In the case of a direct placement, most of the details are determined by the banks and not as much time is required as with a public offering. Further, an informational presentation is helpful when the project involves construction, but here where it involves merely the acquisition of an existing Medical Arts Building and parking garage, a separate meeting is not necessary.

Mr. Hopkins added that one of Bill McLaughlin's first recommendations as Assistant Director for Project management was to shorten the direct placement process to two (2) meetings. Therefore, Staff is considering presenting a proposal to change the "three meeting" policy to the Authority Members at a future meeting.

In this instance, we are seeking an exception the process in order to expedite the transaction at the request Hackensack University Medical Center

Mr. O'Neill then asked the Members preference on the recommendation. Dr. Kazmir made the motion to approve the resolution authorizing a negotiated sale in the form of a private placement. Ms. Kralik seconded the motion. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. PP-02

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26."

(attached)

4. APPROVAL OF FQHC LOAN
Lakewood Resource and Referral Center, Inc.

Mr. O'Neill informed the Members that the Authority has a request from Lakewood Resource and Referral Center, Inc. for a direct loan through the Federally Qualified Health Center Loan Program. He called on Executive Director Mark Hopkins to explain the request to the Members.

Mr. Hopkins introduced Dr. Friedman, CEO; Josh Fogel, CFO; Miri Dorfman Controller; and, Yaakov Schwartz, Project Manager of Lakewood Resource & Referral Center Inc. that operates an FQHC under the name of CHEMED.

Mr. Hopkins began by reminding the Members that CHEMED was the first recipient of a loan under the original FQHC Loan Program for startup FQHCs. He also reminded the Members that the Authority approved expanding the Federally Qualified Healthcare Center (FQHC) Loan Program in December 2014. The program, which was originally intended only for start-up FQHCs, now includes existing FQHCs that are expanding operations. The Authority received the first application under this expanded program from CHEMED and has been in the process of due diligence until recently.

According to Mr. Hopkins, the nature of any loan to an FQHC involves more risk than the other types of lending by the Authority. He also pointed out that, when the members see the financial information, CHEMED is no different from other FQHCs in New Jersey.

Mr. Hopkins said that Staff believes these riskier FQHC loans are an important aspect of fulfilling the Authority's mission to provide New Jersey health care organizations with access to low-cost capital. He also noted the growing importance of FQHCs under the Affordable Care Act and for population health.

Mr. Hopkins concluded by stating that Staff had conducted a thorough review of historical and projected financial information as well as an on-site meeting with key CHEMED staff. Therefore, the Authority's staff is comfortable seeking the Board's approval for this loan. CHEMED previously took advantage of the Authority's original FQHC Loan Program for startup FQHCs in 2010, has consistently paid in a timely manner, and has developed a very good relationship with the Authority since.

Mr. Hopkins then turned the presentation over to Taryn Rommell, who discussed the proposed loan in more detail.

Ms. Rommell informed the Members that Lakewood Resource & Referral Center Inc. operates two divisions: a social services division and a health center doing business as the "Center for Health Education, Medicine and Dentistry", known as CHEMED. CHEMED provides comprehensive adult and pediatric primary care, behavioral health, and dental services at a single location in Lakewood. CHEMED recently opened OB-GYN and Radiology programs at the Center. CHEMED is requesting the Authority's consideration of a loan in an amount of $1.5 million to refinance a portion of their outstanding indebtedness incurred due to the start-up of the OB-GYN and Radiology programs. The loan would be for a term of 7 years at a variable interest rate equivalent to the prior monthly New Jersey Cash Management rate plus 200 basis points. The loan would be secured by payments made by CHEMED under a Loan Agreement, evidenced and secured by a Note issued at the time of closing. In addition, the Authority will be granted a security interest in CHEMED's accounts receivable. CHEMED will also be responsible for a 75 basis point annual fee based on the outstanding balance of the loan payable to the Authority, with the first fee payable to the Authority at closing.

Ms. Rommell stated that the Loan and Security Agreement is in substantially final form. She also indicated that there is one change from the copies Authority Members previously received in their meeting packets. The change was to include a Debt Service Coverage Ratio Covenant of 1.10 beginning with the first audited financials after 2016.

Ms. Rommell then asked Dr. Friedman to provide an informational presentation on CHEMED. She also informed the Members that, following Dr. Friedman, Steve Fillebrown would provide an overview of CHEMED's projections.

Dr. Friedman thanked the members for their consideration and began his presentation. According to Dr. Friedman, CHEMED has steadily increased the number of encounters at the center from 12,487 in 2008 to a projected 120,000 for 2015. Currently they are seeing the largest increase in new patients since 2011. Dr. Friedman said that a new patient is defined as a first contact in one of their business areas. A new patient could be an existing patient who is coming to the center for a different specialty. While 85% of their patients are from Lakewood, they are now seeing patients from other areas of Ocean and Monmouth Counties. In addition, the number of uninsured patients has dropped to 9%. Medicaid managed care represents 73% of their business with 16% privately insured.

Dr. Friedman then pointed out that Lakewood is the second youngest community in the country and has the highest birth rate in New Jersey. Lakewood averages approximately 41.4 births per 1000 residents and is projected have over 4,200 births in 2015. To date, in 2015, the Center handled 35 births.

Dr. Friedman explained to the members about the upfront costs of starting an OB-GYN program. As a result, they are currently carrying a loss for OB-GYN services. That will be eliminated through volume over time. He then illustrated how much more it costs to hire an OB-GYN clinician as opposed to an internist or pediatrician and how OB-GYN visits cost over three (3) times that of a regular doctor visit. In addition, this service requires enough staffing to provide 24/7 coverage.

Dr. Friedman concluded by showing how the NJHCFFA loan will benefit the financial status of the center by lowering interest cost and not increasing their overall debt. He also noted that they intend to pay down their line of credit and use that to cover expenses during the gaps between initial Medicaid payments and the quarterly Medicaid “wrap” reimbursements.

Dr. Friedman then asked if there were any questions.

Mr. O’Neill asked whether they were seeing more Medicaid patients than charity care since the Affordable Care Act began.

Dr. Friedman replied that there has been a big shift from self-pay to Medicaid.

Mr. O’Neill asked if they were still accepting new patients. Dr. Friedman replied that they were.

Mr. O’Neill then asked if they had given any thought to refinancing their debt.

Chief Financial Officer Josh Fogel responded that they had multiple loans at higher interest rates two and one-half years ago and they refinanced nearly all of those with the Bank of America. They are now working with Bank of America to lower their interest payments and extend the terms of the loan.

Mr. O’Neill referenced the fact that they would be saving about $63,000 in interest payments and questioned why they are only paying down the line of credit and not eliminating it.

Mr. Fogel replied that they needed the line of credit to adjust for the delay in receiving the Medicaid “wrap” payments. Wrap payments are reimbursements by Medicaid quarterly (usually 3 to 5 months after the patient was seen). The line of credit will allow the center to pay its bills in a timely manner.

Mr. Hopkins noted that the maximum draw down of the Bank of America Line of Credit is projected to be $685,000. Dr. Friedman stated that the typical amount of draw downs would more likely be between $350-400,000.

Ms. Charters questioned why there are projected increases in charity care if more patients are enrolled in Medicaid. Dr. Friedman responded by saying the increases are a factor of the anticipated increase in the number of patients, both Medicaid and charity care patients will increase as a result but charity care patients will not increase as a percentage.

Ms. Charters asked for additional information regarding the “wrap” payments. Mr. Fogel explained FQHCs get a payment from the Medicaid managed care company in the typical amount of Medicaid payments, but, because FQHCs receive extra support, Medicaid makes a significant additional payment for each Medicaid patient but only on a quarterly basis. Currently CHEMED’s wrap payments are approximately $2.4 - $2.5 million per quarter.

Ms. Charters then asked about the grant funds in their budget and whether CHEMED expected to continue to receive them.

Dr. Friedman said that most of the grants were from the federal Health Resources and Service Administration and they have been receiving them for seven (7) or eight (8) years and anticipate them continuing for at least the next five (5) years.

Mr. Lovell asked whether the center would have a birthing center. Dr. Friedman replied that they use Monmouth Medical Center for its deliveries and they are not going to change that.

Mr. Fillebrown opened by saying that with a normal refunding, the Authority requires projections two (2) years out. However, this loan is really for the startup costs of a new program. As such, the center made projections out to 2018 to see the financials after it is fully implemented.

Mr. Fillebrown explained to the Members how the financial picture of an FHQC differs from hospitals and that they should consider the following when evaluating this loan:

- Until the last six months, median operating margin at FQHCs was negative
- Median cash was between 20-30 days at FQHCs compared to 60-70 for hospitals
- Payables are typically lower (30-45 days) for FQHCs compared to mid-60s for hospitals
- Receivables are typically higher (55-70 days) for FQHCs compared to under 50 days for hospitals

Mr. Fillebrown referenced the presentation by Dr. Friedman and pointed out how the startup costs for an OB-GYN program are heavily frontloaded. As such, the projections show:

- A slight loss ($41,000) in 2015 and a small gain in 2016 ($253,000);
- As volume ramps up, margins improve to $821,000 (4.2%) in 2017 and $1 million (5.1%) in 2018;
- These margins are consistent with where CHEMED has been recently – since late 2013, the center has consistently been well above the statewide median for all FQHCs in NJ;
- With the low margins in the first two years, combined with the short amortization schedule for their loans, the Debt Service Coverage Ratio (DSCR) is below 1.0 in both 2015 and 2016 (.51 and .67); and
- As margins improve, DSCR rises to 1.40 in 2017 and 1.66 in 2018

According to Mr. Fillebrown, cash on hand has historically been low (below statewide medians) and will remain so during the forecast period (between 1 and 7 days). CHEMED, however, does have access to the $1 million line of credit, which is equal to about 20 days of cash. CHEMED's days in accounts payable have historically been higher than statewide medians, often exceeding 80 days, and are expected to continue to be in the 70-day range. CHEMED's receivables have historically been slightly higher than the statewide median but are forecast to drop during the projection period.

Mr. Fillebrown summed up his analysis by stating the projections show that, after the new program is fully implemented, the center will generate good margins, but will continue to have limited liquidity. These are very similar to the projections the Staff saw when CHEMED came in for the loan in 2009 as a new FQHC with a limited track record. With the exception of 2013, when the center lost a critical provider, CHEMED met the operating results projected at the time the loan was made.

Mr. Fillebrown then reviewed the assumptions used to generate the projections:

- Visits are projected to rise by about 8.5% in 2015. Through the first five months the center is actually on pace to exceed that target; some, but not all of that growth is attributable to the new OB program;

- Increases in 2016-2018 are smaller, ranging from 1% to 4%;

- Payer mix has changed somewhat with the Medicaid expansion (more Medicaid, less uninsured: 73% Medicaid. 16% insured, 9% uninsured, 2% Medicare); and

- Project adding new patients each month.

On the financial side, the center projects expenses to increase by 24% in 2015 as the OB-GYN program ramps up. Expenditures however are projected to increase by 2% in 2016 and by 1% in 2017 and 2018. The center projects revenues to increase by 19% in the first year, 4% in 2016 and in 2017 and 2% in 2018.

Mr. Fillebrown then informed the Members of a loan that CHEMED has with Bank of America that matures in November 2017. He stated that the projections assume that CHEMED will be able to refinance that loan. Bank of America offers no guarantee, but they have expressed in writing that, "our expectation…would be to consider a renewal of this loan." As part of the plan to handle the delay in receipt of the Medicaid wrap around payments, CHEMED expects to use up to about $680,000 of its line of credit in 2016 and 2017 to meet cash needs.

Mr. Fillebrown noted that the expense inflation was lower than we typically see for projections. Given the limited liquidity of the center, we conducted sensitivity analysis to determine how much the projections would be affected by higher levels of inflation. Staff found that a recent FQHC financing in Philadelphia used a 2.5% inflation rate. In recasting the projections at the higher rate, the center generates lower operating margins, but CHEMED would still be profitable in 2016-2018 and would achieve coverage ratios of about 1.25 in 2017 and 2018. He also noted that CHEMED's available cash would also be lower, requiring more reliance on the line of credit. It is estimated, though, that even with the line of credit fully tapped, CHEMED would have about 5 days cash.

Mr. Fillebrown said that the sensitivity analysis indicates that CHEMED will still have resources to make the loan payments, but will have less of a cushion in terms of cash.

Mr. O'Neill asked for an explanation of the Debt Service Coverage Ratio.

Mr. Fillebrown replied that it is a measure of the funds (cash) you have to make your debt service payments. It is the gain from operations plus depreciation plus interest expense over a denominator of the total debt service payment. A ratio over 1 is preferred; however, borrowers with ratios under 1 can often still make the payments, but would have to draw on other areas of the balance sheet. CHEMED's projections are currently 1.4 in 2016 and 1.66 in 2017.

Mr. O'Neill asked what CHEMED's ratios are under the higher inflation rate.

Mr. Fillebrown replied that they are 1.26 in 2016 and 1.27 in 2017.

Ms. Rommell then presented the resolution to the Members.

Mr. O'Neill asked why there was a one-year deferral of the principal payment.

Mr. Fillebrown said that it is similar to a construction project where expenses are being incurred but no additional revenue is being generated; therefore, principal payments are not required until the project comes on line.

Mr. O'Neill then asked the Members preference on the recommendation. Dr. Kazmir made the motion to approve the contract. Mr. Lovell seconded the motion. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. PP-03

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Loan Resolution entitled, **"A RESOLUTION AUTHORIZING A LOAN OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORTY TO LAKEWOOD RESOURCE & REFERRAL CENTER, INC."**

(attached)

5. APPROVAL OF EXPENSES

Mr. O’Neill referenced a summary of Authority expenses and invoices provided to the Members. Dr. Kazmir offered a motion to approve the bills and to authorize their payment; Mrs. Charters seconded the motion. All Members voted in the affirmative and the motion carried.

AB RESOLUTION NO. PP-04

WHEREAS, the Members of the Authority have reviewed the memoranda dated June 17, 2015, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $25,585.80 and $2,388.82 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. NEW/OLD BUSINESS
Resolution of Appreciation for Greg Lovell

Mr. O’Neill presented a Resolution of Appreciation to Greg Lovell for his service as the Designee of the Commissioner of Human Services and offered his personal well wishes.

Mr. Lovell expressed his gratitude and thanked the Authority members and Staff.

Mr. O’Neill asked for a motion. Dr. Kazmir made the motion. Ms. Kralik seconded. All Members voted in the affirmative with Mr. Lovell abstaining. The motion passed.

AB RESOLUTION NO. PP-05

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves Resolution of Appreciation for Greg Lovell, as the Designee of the Commissioner of Human Services, for his actions on behalf of the Authority and thanks him for his service.

7. STAFF REPORTS

Mr. O'Neill thanked Staff for the Project Development Summary, Cash Flow Statement and Legislative Advisory reports.

Mr. O'Neill asked Executive Director Hopkins to present his Executive Director's report.

Mr. Hopkins presented the following items to Members:

1. Governor Christie announced on Monday that Commissioner of Health Mary O'Dowd, Commissioner of Banking and Insurance Ken Kobylowski and State Treasurer Andrew Sidamon-Eristoff would be stepping down in the coming weeks. Commissioner O'Dowd serves as Chair of the Authority. She has been Commissioner for over four years and was previously Deputy Commissioner and Chief of Staff at the Department of Health dating back to 2008. Mr. Hopkins stated that Commissioner O'Dowd has done an amazing job, making tremendous advances at the Department of Health and continuing significant State support for hospitals and other health care organizations through very lean times. The Commissioner expects to stay through the end of July. Catherine Bennett, the Director of Policy and Strategic Planning at the Department of Health since 2010, will become Acting Commissioner. Commissioner Kobylowski has served as the Commissioner of Banking and Insurance since 2012. As you know, he is also an ex officio Authority Member. Governor Christie is nominating Richard Badolato, a partner at the law firm of Connell Foley, to replace him. Treasurer Sidamon-Eristoff was confirmed as Treasurer in early 2010. He is not an ex officio Authority Member, however, the Authority works very closely with his office, particularly on financings that the State is involved in, such as the University Hospital financing, the Greystone and Marlboro Psychiatric Hospital financings and the Hospital Asset Transformation Bonds issued by the Authority on behalf of St. Mary's, St. Michael's and JFK. Current Deputy Treasurer Robert Romano will serve as Acting Treasurer.

2. Hospital & Other News
   a. Thanks to Dr. Kazmir, Mr. Hopkins was able to announce that the Supreme Court upheld the subsidies under the Affordable Care Act for the states that did not create their own health insurance exchanges. This is an important decision, as it would have affected nearly 200,000 New Jersey residents.

   b. The payer mix for hospitals is an important indicator for hospital financial success. Those hospitals with a larger percentage of Medicaid and Charity Care patients, for which the hospital is reimbursed substantially below costs, generally experience more financial difficulty than those hospitals treating a large percentage of insured and Medicare patients. In New Jersey, the ten hospitals that treat the largest percent of Medicaid and Charity Care patients (with the combined percent) are as follows: Bergen Regional Medical Center (67.1%); University Hospital (50.4%); St. Joseph's Regional Medical Center (44.4%); Jersey City Medical Center (44.3%); Trinitas Regional Medical Center (40%); Newark Beth Israel Medical Center (39%); CarePoint Hoboken University Medical Center (36.8%); East Orange General

Hospital (34.6%); CarePoint Christ Hospital (34.4%) and Capital Health Regional Medical Center (33.9%).

c. A report published by the Robert Wood Johnson Foundation discusses the trends of mergers and consolidations among hospitals in New Jersey and new paths for hospitals to reach patients and provide population health. An NJSpotlight article on the report was provided to each Member. Mr. Hopkins said that he had the full report if any of the members were interested. Mr. Fillebrown said that it was an excellent study and it gave a comprehensive report on the non-hospital alternatives in health care.

d. Crain's New York Business reports on how the recent merger and acquisition trend in New Jersey is attracting the attention of New York hospitals who may be interested in acquiring New Jersey hospitals.

e. Recently released Medicare data show that New Jersey has several high cost hospitals and other health care providers, such as ambulance companies, labs and physicians.

f. The CHAPA process for the sale of St. Clare's Health Services to Prime Healthcare Services is expected to be completed shortly, with a decision from a judge expected tomorrow. Commissioner O'Dowd approved the Certificate of Need application for the transaction in May.

g. On May 27, over 200 health care workers marched in Newark to support the sale of St. Michael's Medical Center to Prime Healthcare Services. On Tuesday, a petition with over 41,000 signatures was delivered to the Statehouse in support of the sale. The CN and CHAPA applications for the sale of St. Michael's Medical Center to Prime Healthcare Services have not yet been declared complete.

h. A judge has denied the Village of Ridgewood's request to be dismissed from a lawsuit brought by Valley Health System as a result of being denied an approval to expand the hospital on its site in Ridgewood. The village Planning Board is also named in the suit.

i. Atlantic Health System has purchased two properties across the street from its Morristown Medical Center location. The properties cost $22.5 million and provide approximately 128,000 square feet of space.

j. Amy Mansue, the President and Chief Executive Officer of Children's Specialized Hospital, has been named the next chair of the New Jersey Chamber of Commerce Board of Directors, succeeding Ralph Izzo, the CEO and Chair of Public Service Enterprise Group. Ms. Mansue will serve a two-year term. Mr. Hopkins offered his congratulations on behalf of the Authority.

k. In ratings news:

i. Fitch Ratings affirmed the "A+" rating on $113 million of bonds issued by the Authority on behalf of AtlantiCare Health System. The outlook has been revised to positive from stable due to AtlantiCare's sharp rise in unrestricted cash and continued strength in its operating and debt metrics.

ii. Fitch Ratings also affirmed its "BBB" rating for $46,265,000 million of Authority bonds issued on behalf of Palisades Medical Center. The rating outlook remains stable.

l. Additional articles are being provided today on: (i) Moody's prediction that mergers and acquisition of distressed not-for-profit hospitals will grow for the next two years; (ii) the Supreme Court's pending decision on the Affordable Care Act's subsidies could derail the current rally on hospital bonds; (iii) health care spending increased 7.2% in the first quarter of 2015 compared to the same period last year; (iv) the future of population health management under the Affordable Care Act and value-based purchasing by Medicare; (v) the proliferation of urgent care centers; (vi) the promising results from readmission reduction incentives; (vii) the final CMS rules on the Medicare Shared Savings Program meant to encourage more participation in Accountable Care Organizations; (viii) the disadvantages experienced by large urban hospitals under CMS's Hospital Consumer Assessment of Healthcare Providers and Systems scores (HCAHPS); (ix) the increase in the purchase of non-ACA compliant short-term health insurance policies; (x) the drop in bad debt for hospitals in states that adopted Medicaid expansion; (xi) the failure of Medicaid cost-sharing demonstration projects, which require low-income adults to pay premiums or co-pays, to net any significant revenue so far; (xii) a report from the Center for American Progress finding that bundled payment systems may be more cost effective than Accountable Care Organizations; (xiii) the financial picture for nonprofit hospitals has been improving due to revenue growth and declining growth in annual expenses; (xiv) a Health Affairs study that indicates hospital productivity is improving; (xv) out-of-pocket expenditures for Americans increased 8% to $416 billion from 2013 to 2014; and (xvi) CMS's overhaul to Medicaid managed care.

Ms. Charters asked if the recent article about the Federal Trade Commission possibly taking a harder look at hospital mergers may be worth a special presentation at an Authority meeting and also looking at the potential mergers between for profit and not for profit hospitals as well as out of state hospitals.

Mr. Hopkins concurred with Ms. Charters and said he would look into putting it together.

3. Authority News

a. Frank Troy, the Authority's Assistant Director of Research and Compliance, attended the Pennsylvania Institute of Certified Public Accountants' Health Care Conference earlier this month. He has brought back what he learned to share with the Authority staff.

b. The Authority is very pleased to welcome Ibrahim Omar as an intern this summer. Ibrahim just completed his freshman year at Rutgers where he is studying finance. He previously interned at Access Capital Investments in Little Ferry and is the founder of MYCC sports, a nonprofit youth sports league with over 1,000 members in Parsippany. Ibrahim will be in on Wednesdays this summer.

Mr. O'Neill asked for a motion to enter into Executive Session to discuss a potential legal matter.

Dr. Kazmir made the motion. Ms. Kralik seconded. The vote was unanimous. As permitted by the Open Public Meetings Act and the Authority's By-Laws, the Members will now meet in Executive Session to discuss potential litigation and get legal advice regarding Jersey Shore Medical Center. The members went into Executive Session at 11:13 a.m.

AB RESOLUTION NO. PP-06

NOW, THEREFORE, BE IT RESOLVED, that, as permitted by the Open Public Meetings Act and the Authority's By-laws, the Authority meet in Executive Session to discuss potential litigation and receive legal advice regarding Jersey Shore Medical Center,

BE IT FURTHER RESOLVED, that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

After the Executive Session ended, hearing no further business, following a motion by Dr. Kazmir and a second by Mr. Lovell, the Members voted unanimously to adjourn the meeting at 11: 26 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 JUNE 25, 2015.

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Stephen M. Fillebrown, Assistant Secretary