Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on December 17, 2015 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

*The following **Authority Members** were in attendance:*
Elisa Charters, Vice Chair, Public Member (Chairing); Michael Conca, Designee of the Commissioner of Health; Jessica Feehan, 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, Suzette Rodriguez, Public Member

*The following **Authority staff members** were in attendance:*
Mark Hopkins, Steve Fillebrown, Ron Marmelstein, Carole Conover, Michael Ittleson, Carl MacDonald, Bill McLaughlin, Frank Troy, John Johnson, Bernie Miller, Marji McAvoy Jessica Lucas, Ellen Lieber, Nino McDonald, Debra Coons, Bernie Miller and Chris Kniesler

*The following **representatives from the State and/or the public** were in attendance:*
Cliff Rones, Attorney General's Office; Matt Dean, Director of Finance and Chris Everitt, Meridian Health System; and, via telephone, Ryan Feeney, Treasurers Office

CALL TO ORDER

Vice Chair Elisa Charters called the meeting to order at 10:07 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.

1. APPROVAL OF MINUTES

a. November 19, 2015 Authority Meeting

Minutes for the Authority's November 19, 2015 Authority meeting were distributed for review prior to the meeting. Ms. Charters asked for a motion to approve the minutes. Dr. Kazmir made the motion. Ms. Feehan seconded. Mr. Conca, Ms. Kralik, Ms. Feehan, Dr. Kazmir and Ms. Rodriguez voted in the affirmative. Ms. Charters abstained. The minutes were approved.

2. BOND SALE REPORT
University Hospital

Ms. Charters called on Bill McLaughlin to give the Members a report on the recent University Hospital transaction.

Mr. McLaughlin informed the Members that, on December 10, 2015, the Authority, represented by the New Jersey Office of Public Finance and Morgan Stanley, as lead underwriter, priced a $254,975,000 publicly issued tax-exempt bond financing on behalf of University Hospital. The bonds were insured by Assured Guaranty and rated A2/AA by Moody's and S&P, respectively, with an underlying triple B rating from Fitch. The proceeds of the issuance will be used to refund and/or redeem all of the Authority's outstanding Revenue Bond Anticipation Notes, University Hospital Issue, Series 2013A; finance a portion of the costs of various capital improvements to University Hospital's existing acute care facility located in Newark, New Jersey, including, increasing the number of operating and procedure rooms, upgrading the HVAC systems and facilities, and enhancing and expanding the Cancer Program as well as all other work, materials and equipment needed; fund a Debt Service Reserve Fund; and pay all or a portion of the costs of issuance.

According to Mr. McLaughlin, extensive pre-marketing efforts were utilized to ensure a large and concerted investor engagement effort. The Preliminary Official Statement was posted and available in excess of two weeks prior to pricing. A comprehensive investor roadshow, featuring the Interim Chief Executive Officer, Chief Financial Officer and General Counsel of University Hospital, was posted to the internet. This investor roadshow garnered in excess of 84 views. Additionally, University Hospital and Morgan Stanley conducted seven "one-on-one" investor calls.

Mr. McLaughlin said that, following discussions with University Hospital, the Office of Public Finance and the underwriting team, the decision was made to enter the market with a two-hour order period. The transaction was structured with serial bonds from 2021 to 2030 and term bonds in 2038 and 2046; one-half of the serial bonds and up to $10 million of the 2038 term bonds were available to retail investors; the remainder being exclusively available to institutional investors.

Mr. McLaughlin told the Members that at the conclusion of the order period, the underwriters had received over $3.5 billion of orders, with over $67 million in retail orders. The transaction was 13 times oversubscribed. As a result of the "blowout" order period, the underwriters lowered yields by 10 to 15 basis points throughout the yield curve. At that point Morgan Stanley made an offer to underwrite the bonds at the new levels and the Staff gave the verbal award. Yields on the bonds ranged from 2.26% on the 2021 maturity to 4.14% on the 2046 maturity.

Mr. McLaughlin reported that this credit was so well-received in the marketplace, that when they began the pricing process on Thursday morning, the proposed all-in total interest cost for the transaction was approximately 4.97%. At the time of the verbal award the all-in total interest cost was decreased by over 10 basis points.

The Authority signed a Bond Purchase Contract following the pricing and closing on the transaction is scheduled for the week of December 21, 2015.

Mr. McLaughlin then asked if the Members had any questions on the transaction. There were no questions.

Ms. Charters thanked Mr. McLaughlin for providing all of the details for the transaction.

3. NEGOTIATED PRIVATE PLACEMENT AND INFORMATIONAL PRESENTATION
Meridian Health System

Ms. Charters asked Executive Director Mark Hopkins to present the details of the Meridian Health System transaction.

Mr. Hopkins began by introducing Matt Dean, Director of Finance for Meridian Health System, Inc. ("Meridian Health"). Mr. Hopkins informed the Members that Meridian Health signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately $131.5 million. The proceeds of the financing will be used to: currently refund the Series 2012A Bonds; currently refund the Series 2012B Bonds; currently refund the Series 2012C Bonds; fund a debt service reserve fund, if required, and pay the related costs of issuance.

Mr. Hopkins continued by saying that Meridian Health is the parent organization and sole member of Meridian Hospitals Corporation and Meridian Nursing and Rehabilitation, Inc. that employs nearly 10,000 people in the state of New Jersey. Meridian Hospitals Corporation operates five hospital divisions with 1,715 licensed beds: Jersey Shore University Medical Center, Ocean Medical Center, Riverview Medical Center, Southern Ocean Medical Center and Bayshore Community Hospital.

According to Mr. Hopkins, Meridian has maintained strong financial metrics and currently maintains credit ratings of A/A from S&P and Fitch. Meridian has consistently reported positive results from operations. According to FY2014 audited financial statements and the Authority's Apollo Report, Meridian generated an excess of revenues over expenses of $127.77 million and $87.049 million for the years ending 2014 and 2013, respectively. Unaudited numbers for the first six months of 2015 reflect an excess of revenues over expenses of $67.4 million.

Mr. Hopkins stated further that, since FY2012, inpatient admissions have increased from 59,000 in 2012 to 62,500 in 2014 as occupancy rates have remained relatively constant at approximately 51%. In addition, the utilization statistics are projected to remain stable for the foreseeable future.

Mr. Hopkins told the Members that Meridian's financial ratios, designed to measure the Hospital's liquidity, as well as their operating performance and capital structure have consistently outperformed statewide medians. Furthermore, based on audited numbers at the year end of 2014, Meridian had 273 days cash on hand, an operating margin of 7.76% and debt service coverage of 4.39 times.

Mr. Hopkins said that Meridian has actively utilized the services of the Authority, and currently has ten outstanding financings issued through the Authority totaling approximately $700 million. Most recently, Meridian executed a $130 million direct placement with TD Bank during November of this year.

According to Mr. Hopkins, Meridian has asked that the Authority permit the use of a negotiated sale based on a: (1) sale of a complex credit; (2) volatile market conditions; and (3) large issue size. These reasons are considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale.

Mr. Hopkins reminded the Members that, under the Authority's policies, a Borrower requesting a private placement form of a negotiated sale 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. Meridian provided justification that a private placement would: (i) reduce costs of issuance; (ii) expedite the issuance of the bonds to capture the current favorable interest rate market; (iii) generate net present value savings; and (iv) provide greater structuring flexibility to aid in management of maximum annual debt service. Mr. Hopkins then recommended the consideration of the resolution approving the use of a private placement form of negotiated sale for the Series 2016 Bonds, and forwarding a copy of the justification in support of said resolution to the State Treasurer.

Meridian is in the process of soliciting proposals from several firms who have indicated a desire to purchase the Bonds. Upon receipt and following a thorough review of the proposals, Meridian will select a Purchaser based on price, financial strength of the institution, diversification of credit risk and market knowledge.

Mr. Hopkins anticipates that staff will be requesting the Members' approval of a contingent sale of bonds at the Authority's January Meeting.

Mr. Hopkins finished by saying that he or Mr. Dean would answer any questions the Members may have.

Ms. Charters asked Mr. Dean what was the reason behind designating the transaction as a sale of complex credit? Mr. Dean replied that it was due to the fact that they are consolidating three (3) issues from 2013 into one.

Ms. Charters then asked Mr. Dean to describe some of the elements that have enabled Meridian to have such a positive financial position. Mr. Dean said that Meridian has a very good medical staff and a very rigorous physician recruitment program which brings in new business.

In conclusion, Ms. Charters asked Mr. Dean to explain their relationship with JP Morgan. Mr. Dean said that Meridian has used them for some investment management. Mr. Everitt added that they do not have a private placement with them, but they did underwrite their 2003A Bond issue.

Mr. Marmelstein added that JP Morgan was the credit provider for the Authority's Capital Asset Program.

Ms. Charters then asked for a motion to approve a negotiated sale in the form of a private placement for Meridian Health Systems. Dr. Kazmir made the motion. Mr. Conca seconded. Mr. Conca, Ms. Kralik, Ms. Feehan, Dr. Kazmir and Ms. Rodriguez voted in the affirmative. Ms. Charters abstained. The motion was approved.

AB RESOLUTION NO. PP-40

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby adopts the resolution entitled "RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY NEGOTIATED SALE IN THE FORM OF A PRIVATE PLACEMENT PURSUANT TO EXECUTIVE ORDER NO. 26."

3. WAIVER AND FORBEARANCE
CentraState Medical Center

Ms. Charters asked Mark Hopkins to provide the Members with an explanation for CentraState Medical Center's request for a Waiver and Forbearance from the Authority.

Mr. Hopkins explained to the Members that, due to the accounting treatment of its investment in a Proton Therapy Center, CentraState Medical Center ("CentraState" or "the Medical Center") is anticipating a violation of its debt service ratio covenant for the next four quarters beginning with the period ending December 31, 2015. CentraState has obtained approval of a Waiver and Forbearance from the bondholders or credit enhancers on their various outstanding Authority bond issues. The Medical Center is also seeking the approval of the Authority for this Waiver and Forbearance.

Mr. Hopkins said that, in 2010, as part of the Medical Center's comprehensive cancer program, CentraState invested $35 million in proton cancer treatment center in Somerset. Over time, that investment has grown to $55.5 million. However, the proton cancer treatment center struggled initially with volume and payer issues. A change in management brought improvement but the center is still struggling under the weight of significant debt in relation to revenues and the failure to be included in managed care networks. At this point, the center is facing the very real possibility of declaring bankruptcy.

According to Mr. Hopkins, CentraState has already written off about $17.5 million of the investment. With the current financial condition of the proton center, Ernst & Young (CentraState's auditor) has indicated that CentraState will be required to write off the remaining

$38.0 million as an impaired asset. The auditor has also indicated the write off will not be considered an "extraordinary item" under Generally Accepted Accounting Principles. As such, the $38 million loss will be included in the Medical Center's debt service ratio calculations.

Mr. Hopkins stated that, in pro forma calculations, CentraState can see that it will fail to achieve the required debt service coverage ratio for the period ending December 31, 2015. Also, because most of the calculations are on a rolling four quarter basis, this write off in the last quarter of 2015 will affect the calculations for the first three quarterly reporting periods in 2016. The Medical Center will still be in compliance with the cushion, days cash on hand, and the debt to capitalization ratios.

Mr. Hopkins assured the Members that the Medical Center is in good shape financially. Profit margins for the last three years have been positive and the year-to-date profit margin for June 30, 2015 was 4.70% compared to the statewide median of 4.77%. Liquidity is very strong with days cash on hand as of June 30, 2015 at 196 days compared to the statewide median of 57 days; the cushion ratio for the same period was 4.35 compared to the statewide median of 2.38. In addition, management notes that the write off is a "paper" transaction that does not affect funds available for debt service.

Mr. Hopkins said that, for all of the reasons he laid out, the Medical Center is seeking a waiver and forbearance from all creditors associated with Authority bonds. He reminded the Members that a copy of the proposed form of the agreement was provided in Authority Members' meeting packets and is on the table today. He also noted that the agreement applies only to the treatment of the loss associated with the impaired asset and only applies to the reporting periods ending December 31, 2015, March 31, 2016, June 30, 2016 and September 30, 2016. The Medical Center has already received approval from all the creditors, including Assured Guaranty Corp., Bank of America, N.A, Siemens Public, Inc., TD Bank, N.A. and JP Morgan Chase Bank N.A.

Mr. Hopkins told the Members that, given that all the creditors have already executed the agreement, Staff recommends that the Authority Members approve the Waiver and Forbearance and authorize him as Executive Director to execute the document. Mr. Hopkins also said that Cliff Rones of the Attorney General's Office has reviewed the document and has no objection to the Authority entering into the Waiver and Forbearance.

Mr. Hopkins then offered to answer any questions the Members might have.

Ms. Charters asked Mr. Hopkins to summarize the action and wanted to know if the request was only being made due to the one negative aspect.

Mr. Hopkins replied that the request was being made due to the financial loss from their investment in the Proton Therapy Center. They invested their own money and will be reporting the loss in the 4th Quarter of 2015. This loss will cause their debt ratio to dip below the level required in their bond documents for the next four (4) quarters. Because this is the result of a one (1) time loss, their creditors have all agreed not to take any actions.

Dr. Kazmir asked if the Authority had CentraState's 3rd Quarter financials. Steve Fillebrown responded that because they were not in final form.

Dr. Kazmir then inquired about the 2nd Quarter reports. Mr. Fillebrown replied that they were included in their meeting packets. Mr. Fillebrown stated that CentraState's profit margin has consistently been at the State's median level and their liquidity is about four (4) times the State median.

Mr. Fillebrown added that there was a discussion as to whether or not the loss could be recorded as an extraordinary item and be reported "below the line." In order for complete transparency, however, the accountants insisted that it appear above the line.

Ms. Charters then asked for a motion to approve a Waiver and Forbearance agreement for CentraState Medical Center and authorize the Executive Director to execute said document on behalf of the Authority. Dr. Kazmir made the motion. Ms. Feehan seconded. Mr. Conca, Ms. Kralik, Ms. Feehan, Dr. Kazmir and Ms. Rodriguez voted in the affirmative. Ms. Charters abstained. The motion was approved.

AB RESOLUTION NO. PP-41

WHEREAS, CentraState Medical Center has requested that the Authority waive and forebear for the last quarter of 2015 and the first three quarters of 2016 from exercising remedies available to the Authority for CentraState's failure to achieve the debt service coverage ratio required pursuant to its Loan Agreements with the Authority as a result of losses on a joint venture; and

WHEREAS, CentraState's other financial indicators are strong; and

WHEREAS, all the creditors who stand in the shoes of the bondholders for each of the bonds related to said Loan Agreements have already agreed to waive and forebear on their remedies thereunder;

NOW THEREFORE, the Members of the New Jersey Health Care Facilities Financing Authority (the "Authority") hereby approve the Waiver and Forbearance agreement for CentraState Medical Center provided in the Authority Members' packets for this meeting and authorize the Executive Director to execute said document and take any related actions necessary to effectuate the Waiver and Forbearance on behalf of the Authority.

4. AMENDMENT TO THE AUTHORITY'S 2015 BUDGET

Ms. Charters informed the Members that the University Hospital financing from earlier in the year resulted in a higher billing from the Attorney General's Office than budgeted. Therefore, she asked the Members to approve an amendment to the Authority's 2015 Budget to cover those expenses.

Ms. Charters asked Mr. Hopkins to explain the increase in the line item.

Mr. Hopkins replied that the Authority has an unusual relationship with University Hospital. They are an instrumentality of the State, similar to the Authority which is in but not of the State; however, University Hospital is not represented by the Attorney General's Office. Therefore in our transactions with University Hospital, the state attorneys are essentially working double duty. The additional work and the length of the project resulted in the increased billing.

According to Mr. Hopkins, the Authority budgeted $75,000 for "Services of the Attorney General's Office" for 2015. Through the 1st Quarter of the state fiscal year, the Authority was billed $54,949. The estimated bill for the 2nd Quarter is estimated to be $54,900 which will exceed the funds available in the line item.

Mr. Hopkins added that the Office of Public Finance also is involved because much of University Hospital revenues come from the State and are placed in a lock box to secure the bonds. As a result, more disclosures are required relating to the State which results in more attorney fees.

Ms. Charters asked whether the increase was due to legal fees or other expenses. Mr. Hopkins said that it was all for legal work performed for the Authority and the Office of Public Finance.

Ms. Charters wondered if there would be more bills. Michael Ittleson stated that, due to the way the Attorney General's Office calculates their estimates, the University Hospital charges will skew the February bill Mr. Ittleson added that he hopes to be able to get the Attorney General's Office to adjust the February bill to reflect the close-out of the University Hospital transaction. If he is not successful, the Authority will be reimbursed at the end of the state fiscal year.

Mr. Hopkins added that it will be corrected by the end of the Authority's fiscal year and because this was a long-term financing, he did not expect University Hospital to be seeking bond financing for several years.

Ms. Charters then asked for a motion to approve the amendment to the Authority's 2015 Budget. Dr. Kazmir made the motion. Mr. Conca seconded. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. PP-42

WHEREAS, the Members of the Authority have reviewed the memorandum dated December 9, 2015 requesting an amendment of the 2015 Authority budget due to the additional work performed by the Attorney General's staff for the University Hospital financing;

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby approve amending the 2015 Authority budget to increase the Services of the Attorney General's Office line item by $41,247.00, and authorize the necessary budget adjustments thereof .

5. APPROVAL OF EXPENSES

Ms. Charters 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. Mr. Conca seconded the motion. All Members voted in the affirmative and the motion carried.

AB RESOLUTION NO. PP-43

WHEREAS, the Members of the Authority have reviewed the memoranda dated December 9, 2015, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $12,080.00 and $217,715.92 respectively, and have found such expenses to be appropriate;

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

6. STAFF REPORTS

Ms. Charters thanked Staff for the Project Development Summary, Cash Flow Statement and Legislative Advisory reports.

Ms. Charters asked Executive Director Hopkins to present his Executive Director's report.

Mr. Hopkins then presented the following items to Members:

1. On Monday, Governor Christie nominated Acting Commissioner of Health Cathleen Bennett to serve as the permanent Commissioner of Health. The nomination requires approval of the Senate.

2. The Department of Health has declared the Certificate of Need application for the purchase of Saint Michael's Medical Center by Prime Healthcare Services complete and held a public hearing in Newark on Tuesday night. The State Health Planning Board is required to hear the application within 90 days and make a recommendation to the Commissioner of Health, who then has 120 days to act on the CN. The CHAPA process is also moving forward. As the Members may recall Prime was selected as the winning bidder for Saint Michael's Medical Center in the bankruptcy auction. Prime bid approximately $62.2 million with certain adjustments. The Authority expects to receive $40 to $50 million from the sale, which will be used to partially defease the $252 million in bonds issued by the Authority, and backed by the State, on behalf of Saint Michael's. A number of articles on Saint Michael's are being provided today.

3. As Members will recall, East Orange General Hospital filed for bankruptcy on November 10th. It had been in the process of being acquired by Prospect Medical Holdings but, according to East Orange, some delays have necessitated filing bankruptcy to prevent old debt from endangering the ability to consummate the transaction. The transaction had already received Certificate of Need approval and CHAPA approval. It is unclear at this time whether these approvals will need to be reopened. The Authority currently has $5.7 million in 2006 COMP Program bonds outstanding on behalf of East Orange, which are backed by a letter of credit from PNC Bank. Prospect has submitted a stalking horse bid for East Orange, in similar form to the original, except that unsecured creditors are not all included in assumed liabilities. East Orange has also secured a debtor-in-possession loan of $4 million to continue its operations during bankruptcy. Bidding procedures and timing of the bankruptcy auction are under consideration by the bankruptcy court.

4. Audit Committee Members are reminded that there will be an Audit Committee meeting immediately following this meeting. As required by Executive Order 122, members will be meeting with the auditors as they kick off the 2015 audit.

5. Hospital & Other News

    a. University Hospital has announced it has hired John N. Kastanis as its new President and CEO. Mr. Kastanis, who is expected to start March 1, 2016, has been the CEO of Temple University Hospital since 2011. Nancy Hamstra, University Hospital's interim President and CEO, will return to her former position as Chief Operating Officer when Mr. Kastanis joins University Hospital.

    b. Moody's Investor's Service has assigned a Baa2 rating and Fitch has assigned a BBB rating to approximately $212 million in bonds expected to be issued by the Authority on behalf of Princeton Health System in early 2016. Both rating agencies state their outlooks are stable.

c. Fitch has assigned an underlying BBB rating to approximately $254 million in bonds being issued by the Authority on behalf of University Hospital. The outlook is stable. The bonds will also be insured by Assured Guaranty.

d. St. Luke's University Health Network, which is the parent of St. Luke's Warren Hospital in Philipsburg, New Jersey, is being wooed to merge with other hospitals or systems.

e. Kennedy Health System is partnering with Samaritan Healthcare & Hospice to provide palliative care at the system.

f. Atlantic Health System is subject of an article on how health care systems are successfully navigating population health and accountable care organizations. Former Health Commissioner Dr. Poonam Alaigh, an Atlantic Health System employee, is quoted.

g. Saint Peter's University Hospital has been recognized as a "Top Performer on Key Quality Measures" by The Joint Commission, for the fourth year in a row. The Joint Commission is a leading accreditor of healthcare organizations in the United States.

h. Prime Healthcare Foundation has announced plans to acquire The Memorial Hospital of Salem County, which is currently owned by the for-profit hospital chain, Community Health Systems. Prime Healthcare Foundation is a non-profit affiliate of Prime Healthcare Services, a California for-profit, which owns numerous hospitals around the country as well as St. Clare's and St. Mary's in New Jersey and is in the process of acquiring St. Michael's. The sale would mark the first ever New Jersey transition of a non-profit hospital to a for-profit hospital then back to a non-profit hospital. The sale is subject to the Certificate of Need process.

i. Inspira Health Network is planning on building a new hospital on the grounds of Rowan University in the Mullica Hill section of Harrison Township. The hospital would replace Inspira's current Woodbury facility. The Rowan University Board of Trustees was scheduled to meet last night to consider whether to allow Inspira to use the University's land.

j. The New Jersey Educational Facilities Authority has hired Jeremy Spector as its new Executive Director. Mr. Spector worked for 28 years in private practice as bond and tax counsel at a number of area law firms, most recently at Mintz Levin. He started on November 13th. NJEFA veteran Sheryl Stitt, who had been acting Executive Director, is now Deputy Executive Director.

k. Horizon Blue Cross Blue Shield of New Jersey continues to take heat as a result of its new OMNIA Health Alliance. Seven hospitals announced a new lawsuit against the marketing of the OMNIA plan, alleging it damages their reputations.

The legislature is considering legislative action to delay the rollout of the plan after the Commissioner of Banking and Insurance refused to reverse his approval of the plan.

l. The Governor signed into law a bill that would require assisted living facilities, nursing homes, federally qualified health centers, dialysis facilities, comprehensive care homes and other health care facilities to have generators sufficient to power critical operations during a blackout of up to 48 hours. From the effective date of the legislation, the facilities have one year to enter into a contract and three years to have the generators in place. The generators can be from distributed energy resources and funded by the Economic Development Authority's Energy Resilience Bank or conventional generators. Our Authority is working with representatives of the trade organizations for nursing homes and assisted living facilities to create an economical method of financing generators for them.

m. The out-of-network bill proposed to prevent surprise exorbitant medical bills was tabled in a committee hearing last week.

n. Senators Sweeney, Singer and Vitale have introduced a bill to require a Hospital Community Service Contribution in lieu of property taxes. The bill proposes to charge each non-profit hospital a fee of $2.50 per bed per day to help offset the costs of the municipality and county which hosts the hospital. The fee would give 95% to the municipality and 5% to the county. Under the bill, those hospitals that had a negative operating margin or were in violation of a bond ratio covenant could apply for an exemption by seeking a certification from the Authority that it is eligible for the exemption. The bill is due to be considered in the Senate Budget and Appropriations Committee on Monday. An identical bill has been submitted in the Assembly and referred to the Assembly State and Local Government Committee, with no hearing date set yet.

o. According to an Ernst & Young report commissioned by the New Jersey Hospital Association, New Jersey's 63 non-profit hospitals provided $2.4 billion in community benefit in 2013.

p. New Jersey was ranked as the 11th healthiest state according to the United Health Foundation's annual health rankings.

q. About one-third of New Jersey hospitals will be docked 1% of their Medicare payments next year due to poor performance in preventing hospital acquired infections or errors.

r. A pilot program in Camden County called Housing First allows the homeless to move into a home before they receive health care and social services. The model has had success in Mercer and Bergen counties as well as elsewhere around the country. The consistency in housing helps the homeless person better maintain his or her health.

s. Additional articles about New Jersey health care include:

    i. the gap in healthy behaviors in South Jersey compared to North Jersey;
    ii. New Jersey hospitals with the highest percentage of commercially insured patients;
    iii. an explainer article on the Certificate of Need process; and,
    iv. the push for health care insurance enrollment at the end of the deadline to enroll for 2016 in the federal insurance marketplace.

t. Other articles about health care around the country include:
    i. hedge funds moving into buying non-profit hospitals;
    ii. two articles on a study showing 15% higher prices are being paid by private insurance companies in markets where hospitals had no competition compared to those with at least four hospitals;
    iii. lessons learned from an academic Accountable Care Organization;
    iv. the "mind-boggling variation" of hospital prices across the country driving up health care costs;
    v. how some hospital projects are anchoring large, multi-use developments;
    vi. UnitedHealth's poor experience in the ACA health care exchanges endangering its continuing participation;
    vii. CMS's estimate that consumers have received over $2.4 billion in health care insurance premium rebates since 2011 as a result of the ACA's Medical Loss Ratio Rule which requires insurers to expend at least 80% of their premiums on health care service or rebate the premium;
    viii. the majority of Americans are rating health care quality the same as before the ACA came into effect;
    ix. Medicare drug prescription plans are experiencing large premium increases in 2016 due to higher prescription costs;
    x. CMS may impose minimum provider-network standards to insure patients have sufficient access health care providers;
    xi. the Congressional Budget Office reports that the federal government will either have to reduce spending or increase taxes to keep up with the increasing costs of Medicare from longer life expectancies and the large baby-boom population reaching 65;
    xii. most health care providers are not prepared for longitudinal care across multiple provider systems;
    xiii. the progress and challenges of adopting electronic health records;
    xiv. hospitals lead the country in job creation in November; and,
    xv. a white paper from The Chartis Group on "The Emergence of Innovative Payor-Provider Partnerships."

u. In finance news, the MSRB has released it guidance on best execution of bond sales for dealers.

v. The Federal Reserve agreed yesterday to increase the federal funds rate from at or near zero to 0.25% yesterday. This is the first rate hike by the Fed since 2006.

6. Authority News

   a. Mr. Hopkins took the opportunity to thank the Authority Members and Authority staff for all they do throughout the year to make the Authority run like clockwork and make his job so easy and enjoyable. He then wished everyone a happy holiday season.

Ms. Charters asked about Senator Sweeney's bill and how it might affect New Jersey's non-for-profit and for profit hospitals. Mr. Hopkins replied that it only affects the not-for-profit hospitals.

Ms. Charters inquired about how the Senator came up with $2.50 per bed per day. Mr. Hopkins replied that he did not know.

Mr. Hopkins said that the Authority was asked to do some work on this. The Authority's study on the impact showed that the average annual cost was approximately $319,000 per hospital. The high was around $670,000 and the low was about $81,000.

Ms. Charters then asked whether the impact of these payments would force any of the not-for-profit hospitals to close.

Mr. Hopkins believes that all of the hospitals will be able to absorb the fees. Some may decide to cut back on their charity community work or reduce staff, but they will survive.

Ms. Charters asked if the rate will increase. Mr. Hopkins said that there was nothing in the bill regarding an increase in the rate.

Mr. Fillebrown added that some of the not-for-profit hospitals may decide to be recertified at the number of beds that are in line with what they actually use, instead of the number they are currently licensed for, in order to reduce their obligation.

Hearing no further business, following a motion by Dr. Kazmir and a second by Mr. Conca, the Members voted unanimously to adjourn the meeting at 10:54 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 DECEMBER 17, 2015.

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Carole A. Conover, Assistant Secretary