Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on June 23, 2016 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following ***Authority Members*** *were in attendance:*
Dr. Munr Kazmir, Vice Chair (Chairing); Alison Gibson, Designee of the Commissioner of Health; Jessica Feehan, Designee of the Commissioner of Human Services; and, via telephone, Suzette Rodriguez, Public Member.

The following ***Authority staff members*** *were in attendance:*
Mark Hopkins, Ron Marmelstein, Frank Troy, Michael Ittleson, Carole Conover, Bill McLaughlin, Carl MacDonald, Ellen Lieber, Taryn Rommell, Edwin Fuentes, Bernie Miller, John Johnson 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; Ryan Kennedy, Chief Financial Officer and Maryann Kicenuik, General Counsel, Holy Name Medical Center; David Alexander, Senior Vice President and Chief Financial Officer, St. Joseph's Healthcare System; Tony Orlando, Senior Vice President for Finance and Chief Financial Officer and Jim Stanton, Director of Finance, Englewood Hospital and Medical Center; Karen Lumpp, Senior Vice President and Chief Financial Officer and Phil DelVecchio, Trinitas Regional Medical Center; Scott Kobler, McCarter & English, LLP; John Kelly, Wilentz, Goldman & Spitzer, P.A; James Fearon, GluckWalrath LLP; Kay Fern, Evergreen Financial Services; Frank Taylor, Ponder and Company

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:02 a.m. and announced that this was a regular Meeting of the Authority, held in accordance with the schedule adopted at the May 26, 2016 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

Minutes for the Authority's May 26, 2016 Authority meeting were distributed for review and approval prior to the meeting. Dr. Kazmir asked for a motion to approve the minutes. Ms. Feehan made the motion. Ms. Gibson seconded. All Members voted in the affirmative and the minutes were approved.

2. **TEFRA HEARING**
   St. Joseph's Healthcare System

Dr. Kazmir announced that the following portion of the meeting was a public hearing in connection with the St. Joseph's Healthcare System and the Englewood Hospital and Medical Center transactions. This hearing is taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Dr. Kazmir called on Carl MacDonald to present the details of the St. Joseph's Healthcare System (St. Joseph's) transaction to the Members.

Mr. MacDonald reminded the Members that St. Joseph's Healthcare System requested and received approval last month to undertake a tax-exempt public offering of approximately $260 million. Mr. MacDonald said that the proceeds of the financing would be used to advance refund the Authority's Series 2008 Revenue Bonds and provide approximately $50 million in funds for capital expenditures.

According to Mr. MacDonald, it was the intention to request approval of a contingent bond sale at this meeting and, therefore, the notice for a TEFRA hearing was published. St. Joseph's, along with their counsel, have since decided to postpone the contingent sale. As a result, St. Joseph's is not seeking approval this month.

Mr. MacDonald stated that, since the TEFRA notice for a public hearing has been advertised, St. Joseph's has requested that the Authority hold the public hearing for this transaction and allow for public comment. In holding the public hearing, the Authority is not making a commitment to approve the transaction. The hearing today is to satisfy the federal tax law provisions for this transaction, when or if, it receives approval by the Authority and the Governor.

Mr. MacDonald offered to answer any questions the Members or public may have.

Dr. Kazmir thanked Mr. MacDonald for his presentation and asked if there were any comments or questions from the Authority Members or the public regarding the TEFRA hearing for St. Joseph's Healthcare System.

Mr. Hopkins mentioned that the delay was not due to anything St. Joseph's could control and that they may be requesting a Special Meeting of the Authority before the regular July meeting. Mr. Hopkins told the Members that his office would be notifying them of the day and time.

3. **TEFRA HEARING AND CONTINGENT BOND SALE**
   Englewood Hospital and Medical Center Master Lease

Dr. Kazmir announced that the following portion of the meeting was a public hearing in connection with the Englewood Hospital and Medical Center Master Lease transaction. In addition, the Members would be asked to approve a resolution authorizing the execution of a master lease and sublease agreement and related documents in connection with a tax-exempt leasing program.

Dr. Kazmir called on Edwin Fuentes to present the details of the Englewood Hospital and Medical Center Master Lease transaction to the Members.

Mr. Fuentes began by introducing Tony Orlando, Senior Vice President for Finance and Chief Financial Officer and Jim Stanton, Director of Finance for Englewood Hospital and Medical Center.

Mr. Fuentes informed the Members that they are being asked for the authorization to enter into a Master Lease Agreement with Englewood Hospital and Medical Center (Englewood) as Sub lessee, in an aggregate principal amount not to exceed $27,000,000 and at an interest rate not to exceed 12%. The proceeds of the lease will be used by Englewood to provide funds to: acquire an EPIC electronic health record system, including software, licensing, hardware, and implementation; and, finance legal, accounting, consulting and other administrative costs related to the tax-exempt leasing program.

According to Mr. Fuentes, Englewood has executed a commitment letter with TD Equipment Finance, Inc., who will act as Lessor on the leasing transaction. From the date of issuance, the term of the transaction will be five (5) years and shall bear interest at a fixed rate, set at closing based on the Lessor's Reference Yield adjusted by a tax-exempt treatment factor. The 2016 Master Lease will be subject to prepayment upon written notice 30 days prior to payment as set forth in the Master Lease Agreement. Englewood will enter into a Continuing Covenants Agreement (CCA) with the Lessor to provide for various financial and operating covenants. In addition, Englewood Hospital and Medical Center Foundation (Foundation) will enter into a Limited Guaranty for the benefit of the Lessor.

Mr. Fuentes then introduced James Fearon of GluckWalrath LLP, to summarize the authorizing resolution. He said that, following the resolution, he, Mr. Fearon and members of the Englewood management team would address any questions or issues the Members may have regarding this transaction.

RESOLUTION FOR TAX EXEMPT MASTER LEASING PROGRAM

James Fearon of GluckWalrath stated that the Resolution authorizes the Authority to proceed with the establishment of the tax-exempt leasing program and to lease from the Lessor and sublease to Englewood equipment and other personal property pursuant to the proposed Master Lease Agreement.

In addition, the Resolution authorizes the appropriate authorized officers of the Authority to enter into the Master Lease Agreement in substantially the form presented to the meeting, with such changes as counsel may advise and the officers executing the same may approve. The Master Lease Agreement provides for one or more Schedules, which reflect individual closings with respect to specific batches of equipment and other personal property. Each batch is to be leased from the Lessor and subleased to Englewood Hospital and Medical Center in an aggregate amount of not to exceed $27 million and at interest rates not in excess of 12%, as previously described. It is expected that the entire authorization will be used to acquire the EPIC electronic health record system.

The Resolution appoints U.S. Bank, National Association, as Escrow Agent and Paying Agent for the 2016 Master Lease and authorizes the Authorized Officers of the Authority to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Master Lease Agreement, the Escrow Agreement and the Paying Agent Agreement.

The Resolution approves the form of and authorizes the execution of a Paying Agent Agreement and an Escrow Agreement by and among the Authority, Englewood, TD Equipment Finance, in its capacity as Lessor, and U.S. Bank National Association, in its capacity as Escrow and Paying Agent.

The Resolution authorizes the execution and delivery of such other documents, including schedules to the Master Lease Agreement and any other ancillary documents, and to take such action as may be necessary or appropriate in order to effectuate the execution and delivery of the Agreement.

Dr. Kazmir thanked Mr. Fuentes and Mr. Fearon for their presentations and asked the Members if they had any questions. There were no questions.

Dr. Kazmir asked for a motion to approve the resolution authorizing the execution of a Master Lease and sublease agreement on behalf of the Englewood Hospital and Medical Center. Ms. Feehan made the motion. Ms. Gibson seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-11

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled, “RESOLUTION AUTHORIZING THE EXECUTION OF A MASTER LEASE AND SUBLEASE AGREEMENT AND RELATED DOCUMENTS IN CONNECTION WITH A TAX EXEMPT LEASING PROGRAM ON BEHALF OF ENGLEWOOD HOSPITAL AND MEDICAL CENTER”.

(attached)

Dr. Kazmir congratulated Englewood Hospital and Medical Center and asked if anyone from their organization had anything to say. Mr. Orlando thanked Mr. Fuentes and the Authority staff for their efforts. He said that this financing would allow the sharing of information across their system and the health care industry.

Dr. Kazmir then closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended regarding the proposed financings on behalf of St. Joseph's Healthcare System and the Englewood Hospital and Medical Center transactions.

4. CONTINGENT BOND SALE
<u>Holy Name Medical Center</u>

Dr. Kazmir called on Carl MacDonald to present the details of the Holy Name Medical Center transaction.

Mr. MacDonald began by introducing Ryan Kennedy, Chief Financial Officer of Holy Name Medical Center (Holy Name.)

Mr. MacDonald informed the Members that they were being asked to approve a contingent sale of bonds on behalf of the Holy Name Medical Center Obligated Group. It is anticipated that the Bonds will be issued in two Series: Series 2016A in an amount not to exceed $40 million and Series 2016B in an amount not to exceed $15.215 million. The proceeds of the proposed Series 2016 Bonds will be used to effectuate the current refunding of the Holy Name's Revenue Bonds, Series 2006 and the payment of certain costs incidental to the issuance and sale of the Series 2016 Bonds.

According to Mr. MacDonald, the Series 2016A and 2016B Bonds will be privately placed with and purchased by Siemens Public, Inc. The bonds will be secured by promissory notes issued pursuant to the provisions of a Master Trust Indenture, together with a gross receipts pledge and a mortgage on certain property. The Series 2016 Bonds will be structured as fixed-rate obligations with the indicative interest rate for this transaction is currently 2.0%.

Mr. MacDonald said that, as originally structured, the Series 2006 Bonds do not begin amortizing principal until 2026. Since the proposed transaction will amortize principal annually over the life of the financing versus the original structure of the Series 2006 Bonds, the Medical Center expects to achieve significant debt service savings. No disclosure document is being prepared in connection with this transaction and, as a result, Siemens has agreed to provide the Authority with a separate travelling investor letter for each Series of the Series 2016 Bonds on the date of closing.

Mr. MacDonald then introduced John Kelly of Wilentz, Goldman & Spitzer, P.A., the bond counsel to present the Bond Resolution. He said that after Mr. Kelly's presentation, he, Mr. Kennedy and Mr. Kelly would answer any questions.

BOND RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer, P.A., the Bond Counsel, stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2016A Bonds in an aggregate principal amount not in excess of $40 million and Series 2016B Bonds in an aggregate principal amount not in excess of $15.215 million. The Bond Resolution provides that the Series 2016A Bonds shall have a final maturity date of no later than fourteen years after the date of issuance and the Series 2016B Bonds shall have a final maturity date of no later than ten years after the date of issuance. The Bond Resolution also provides that the Series 2016 Bonds shall initially bear interest at a true interest cost not to exceed 4.00% per annum. Each series of the Series 2016 Bonds will be subject to redemption prior to maturity as set forth therein, provided that, the redemption price cannot be greater than 105%. Each series of the Series 2016 Bonds will be secured by payments made by Holy Name under a separate Loan Agreement with the Authority for such Series. The obligations of Holy Name under each Loan Agreement with the Authority will be evidenced and secured by a separate note issued by the Obligated Group (of which the Holy Name is currently the only Member) pursuant to the provisions of a Master Trust Indenture and by amounts on deposit in certain funds held by the Trustee pursuant to the Trust Agreement for each Series. As provided in the Master Trust Indenture, each promissory note will be secured by a gross receipts pledge of the Obligated Group and a mortgage on certain Holy Name Medical Center and other property. The Bond Resolution approves the form of and authorizes the execution of a separate Direct Bond Purchase Agreement with Siemens Public, Inc. for the purchase of each Series of the Series 2016 Bonds. The Direct Bond Purchase Agreement must be executed prior to the 5:00 p.m. (local New Jersey prevailing time) on September 21, 2016. No disclosure document is being prepared in connection with the issuance of the Series 2016 Bonds and, as a result, the Bond Resolution requires the purchaser of the Series 2016 Bonds to provide the Authority with a separate travelling investor letter for each Series on or prior to the date of closing.

Additionally, the Bond Resolution approves the form of and authorizes the execution and delivery of the Trust Agreement and Loan Agreement for each Series of the Series 2016 Bonds, and appoints The Bank of New York Mellon as Bond Trustee, Bond Registrar and Paying Agent for each Series of the Series 2016 Bonds. In addition, the Bond Resolution also authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Trust Agreements, the Loan Agreements, the Direct Bond Purchase Agreements and a letter of instructions to the Trustee for the Series 2006 Bonds, the completion of the refunding and the issuance and sale of the Series 2016 Bonds.

Dr. Kazmir thanked Mr. MacDonald and Mr. Kelly for their presentations and asked if there were any comments or questions from the Authority Members. There were no questions.

Dr. Kazmir asked for a motion to approve the contingent bond sale on behalf of Holy Name Medical Center. Ms. Feehan made the motion. Ms. Gibson seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-12

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Bond Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING BONDS, HOLY NAME MEDICAL CENTER OBLIGATED GROUP ISSUE, SERIES 2016.

(attached)

Dr. Kazmir congratulated Holy Name Medical Center and asked if anyone from the organization had anything to say. Mr. Kennedy thanked the Authority staff for their efforts and the very quick turnaround on their request.

Mr. Hopkins took the opportunity to recognize Maryann Kicenuik, General Counsel of Holy Name Medical Center. He informed the Members that Ms. Kicenuik was named the General Counsel of the Year by NJ Biz and offered his congratulations.

5. NEGOTIATED SALE REQUEST AND INFORMATIONAL PRESENTATION <u>Trinitas Regional Medical Center</u>

Dr. Kazmir asked Bill McLaughlin to present details of the Trinitas Regional Medical Center's request for a negotiated sale.

Mr. McLaughlin advised the Members that his presentation served as a negotiated sale request and an informational presentation for the Trinitas Regional Medical Center transaction. He then introduced Karen Lumpp, Senior Vice President and Chief Financial Officer of Trinitas Regional Medical.

Mr. McLaughlin informed the Members that Trinitas Regional Medical Center (Trinitas) has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately $129 million. The proceeds of the issuance will be used to: refund all of the NJHCFFA issued Trinitas Hospital Series 2007A & 2007B bonds; refinance all of the Trinitas Hospital Taxable Variable Rate Demand Bonds, Series 2006; reimburse Trinitas for capital expenditures associated with its emergency room renovation project; fund a debt service reserve fund, if required; and, pay the related costs of issuance.

Mr. McLaughlin said that this transaction is expected to be comprised of two series of bonds. One series will have a par amount of approximately $91 million and will be designated as "forward delivery" bonds. For the purposes of this transaction, the term "forward delivery" denotes that this series of bonds will have an extended period of time between pricing in August 2016 and delivery during April 2017. This delay allows the transaction to be deemed a "current refunding." This structure also allows Trinitas to take advantage of the current low interest rate environment and lock-in present value savings approximating $15.23 million or 12.48% of the refunded bonds, even though the bonds are not eligible to be advance refunded. The other series of bonds will be in a par amount of approximately $14 million and delivered in a more traditional timeframe.

According to Mr. McLaughlin, Trinitas Regional Medical Center is a not-for-profit acute care provider located in Elizabeth, New Jersey. Trinitas was formed in 2000 by the consolidation of the Elizabeth General Medical Center and St. Elizabeth's Hospital. Trinitas provides inpatient, outpatient and emergency care services for local residents.

Additionally, Trinitas currently has two bond transactions with the Authority, the Trinitas Hospital Obligated Group Issue Series 2007A and 2007B, both of which are expected to be refunded by the proceeds of this transaction. On May 30, 2016, the outstanding balance was $65,050,000 and $49,865,000 for the Series 2007A and 2007B, respectively.

Mr. McLaughlin reported that Trinitas is currently rated Baa2 by Moody's and BBB by Standard & Poor's. The annual audited financial information, for the period ended December 31, 2015, indicates that the Days Cash on Hand increased from 284.72 days in 2014 to 316.25 days in 2015. This is materially stronger than the 2014 Statewide Median of 57.08 days. Trinitas' Operating Margin for the years 2014 and 2015 was stable at 1.81% and 1.46%, respectively. Debt Service Coverage Ratio at year-end 2015 was solid at 2.19 times.

According to Mr. McLaughlin, Trinitas has asked that the Authority permit the use of a negotiated sale based on: a sale of a complex financing structure, including those transactions that involve the simultaneous sale of more than one series of bonds, with each series structured differently. This is a reason that is considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale. Mr. McLaughlin then recommended the consideration of the resolution approving the use of a negotiated sale and the forwarding a copy of the justification in support of said resolution to the State Treasurer.

The Attorney General's Office has assigned Wilentz, Goldman & Spitzer P.A. to serve as Bond Counsel on this transaction.

Mr. McLaughlin said he anticipates that Staff will be requesting the Members' approval of a contingent sale of bonds at the July 2016 Authority Meeting. He then said the he or Ms. Lumpp would address any questions or concerns the Members may have.

Dr. Kazmir thanked Mr. McLaughlin for his presentation and asked if there were any comments or questions from the Authority Members.

Dr. Kazmir questioned a $7.2 million item in Trinitas' financial statement listed as Other Operating Revenue. Ms. Lumpp addressed the question by stating that number represents revenue from a variety of sources across the entire system.

Dr. Kazmir asked for a motion to approve the use of a negotiated sale on behalf of Trinitas Regional Medical Center. Ms. Feehan made the motion. Ms. Gibson seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-13

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)

6. APPOINTMENT OF CO-MANAGERS
<u>Trinitas Regional Medical Center</u>

Dr. Kazmir then asked Mr. McLaughlin to present Trinitas Medical Center's request for the appointment of co-managers for the transaction.

Mr. McLaughlin informed the Members that Trinitas Regional Medical Center has notified the Authority that they have completed a competitive process and selected Bank of America Merrill Lynch to serve as their Senior Managing Underwriter. In addition, Trinitas has requested that the Authority consider the appointment of the firm of Goldman, Sachs & Co. as a Co-Managing Underwriter on the forthcoming public transaction.

According to Mr. McLaughlin, because of the expected $130 million par amount for this public series, staff is recommending the assignment of two co-managers. Staff supports the borrower's recommended appointment of Goldman, Sachs & Co. as co-manager and proposes adding Ziegler Capital Markets to the transaction as a co-manager.

Mr. McLaughlin stated that each firm has been qualified by the Authority to serve in the role of co-managing underwriter, has demonstrated the ability to distribute New Jersey securities and has sufficient capital to participate in the transaction. For these reasons, Mr. McLaughlin told the Members, that Staff is requesting their approval of the resolution naming Goldman Sachs & Co. and Ziegler Capital Markets as Co-Managers on the Trinitas Regional Medical Center Series 2016 transaction.

Dr. Kazmir thanked Mr. McLaughlin for his presentation and asked if there were any comments or questions from the Authority Members. There were no questions.

Dr. Kazmir asked for a motion to approve the appointment of Goldman Sachs & Company and Ziegler Capital as co-managers for the Trinitas Regional Medical Center transaction. Ms.

Feehan made the motion. Ms. Gibson seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-14

> **NOW, THERFORE, BE IT RESOLVED,** that the Authority hereby approves the appointment of Goldman Sachs & Company and Ziegler Capital as Co-managers for the Trinitas Regional Medical Center transaction.

(attached)

7. CORPORATE BANKING RESOLUTIONS & SIGNATURE CARDS

Dr. Kazmir referred the Members to the June 15, 2016 memorandum in their packets regarding the check signing policy of the Authority. He reminded the Members that when there is a change in officers, Staff must provide the Authority's bank with new corporate banking resolutions and signature cards. Since the last Authority meeting Elisa Charters, who served as Vice Chair and was a signatory, resigned from the Authority. Dr. Kazmir asked for a motion to approve the new bank resolutions and signature cards. Ms. Gibson offered a motion to adopt these updated resolutions; Ms. Feehan seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. QQ-15

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby adopts corporate banking resolutions (attached) as a result of the resignation of the Vice Chair and authorizes the submission of new signature cards.

8. APPROVAL OF EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Ms. Rodriguez offered a motion to approve the bills and to authorize their payment. Ms. Gibson seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. QQ-16

WHEREAS, the Members of the Authority have reviewed the memoranda dated June 15, 2016 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $19,040.00 and $6,221.21 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.

9. STAFF REPORTS

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

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

Mr. Hopkins presented the following items to Members:

1. Hospital & Other News

    a. On July 1, Hackensack University Health Network and Meridian Health plan to complete their proposed merger. The systems received the final approval needed from the Superior Court pursuant to CHAPA on Monday. The merger will create the second largest health care system in New Jersey with eleven hospitals, 120 other health care facilities, including ambulatory care, urgent care and assisted living, 28,000 employees and nearly 6,000 physicians. Robert Garrett and John Lloyd will be co-CEOs of the system.

    b. The bankruptcy court has given accountants until September 1 to determine the exact final price paid by Prime for St. Michael's Medical Center, after applying several adjustments required by the Asset Purchase Agreement. It is estimated to be over $61 million. Negotiations between the Unsecured Creditors Committee and the Authority continue in the meantime to determine the amount the Authority will receive from the sale.

    c. A recent summit hosted by the U.S. Department of Health and Human Services highlighted the success New York and New Jersey has had in reducing the number of uninsured.

d. The Health Care Cost Institute has found several common medical services and procedures are slightly less expensive in New Jersey. The New Jersey Hospital Association attributes this to efforts to provide care outside of a hospital, when appropriate, which is usually less costly.

e. The Leapfrog Group has found that major medical errors occur less frequently in New Jersey than elsewhere in the country.

f. Some hospitals are reportedly suffering financially from the reduction in Charity Care. The state reduced Charity Care payments to hospitals in fiscal year 2016 and is budgeted to reduce it again in fiscal year 2017. The reductions are a result of a significant increase in insured patients from the Affordable Care Act, mostly through the expansion of Medicaid. Many former Charity Care patients now qualify for the higher paying Medicaid insurance. However, those hospitals that see a large volume of undocumented immigrants still rely significantly on Charity Care reimbursement because undocumented immigrants cannot qualify for Medicaid.

g. Several articles are included about Horizon Blue Cross Blue Shield's OMNIA tiered network health insurance plan. Trinitas has dropped its lawsuit against the plan but others continue alleging Horizon misled the public about how it chose tier one hospitals. Horizon claims it based its decision based on quality and cost. On another front, a New Jersey appellate court upheld the Department of Banking and Insurance's approval for the OMNIA plan.

h. An opinion piece by Joel Cantor, Director of the Center for State Health Policy, in NJSpotlight, gives the Affordable Care Act a B+ grade in covering the uninsured, noting that the number of uninsured has declined by 16.2 million nationwide. Nationally, the uninsured rate dropped 7.6% among non-elderly adults, from 20.4% in 2013 to 12.8% in 2015, in New Jersey it fell from 17.5% to 10.2% over the same period. Estimates indicate only 2% of New Jersey children do not have insurance coverage. He notes more outreach will need to be done to improve the B+ grade in the future, stressing that there are few additional funds remaining from the federal government to continue promoting health insurance availability under the ACA.

i. St. Joseph's Regional Medical Center has indicated it does not plan to move forward with an alleged lease between it and a developer to build a hotel on a site owned by the hospital adjacent to it. The hotel was part of a Paterson economic development project; however, the hospital has determined it was too risky to proceed.

j. St. Michael's Medical Center has settled charges, brought by a whistleblower that its physicians performed unnecessary cardiac and kidney procedures and billed federal health programs. It paid $450,000 in the settlement but did not admit liability.

k. Our Lady of Lourdes Medical Center in Camden has announced a $100 million expansion including external improvements and internal renovations including updating administrative spaces, adding private patient rooms, expanding its cardiac care facility as well as food and pharmacy services.

l. Recovery Centers of America has opened its first drug and alcohol treatment facility in New Jersey in Mays Landing. The facility has 53 beds but plans to expand in the future. It will also provide outpatient services. Other RCA facilities are also planned around the state.

m. The John Brooks Recovery Center is planning to move much of its drug and alcohol rehab services out of Atlantic City into surrounding communities. It is selling its facility on Tennessee Avenue and plans to replace that with an outpatient center in Pleasantville and one behind the Atlantic City Convention Center parking garage. It expects to construct a new facility in Mays Landing for its inpatient services.

n. Morris County is seeking to lease 126 acres of the Greystone property in Parsippany. The lease will require State approval and approval from our Authority, because we hold a lease on the property as a result of the financings we did to demolish the former psychiatric hospital and build replacement facilities on parts of the site.

o. Moody's has upgraded $245 million in bonds issued by the New Jersey Economic Development Authority and the Camden County Improvement Authority on behalf of Cooper Health System to "Baa1" from "Baa2" and has revised its outlook from "positive" to "stable."

p. Fitch has upgraded $44.9 million of bonds issued by the New Jersey Health Care Facilities Financing Authority on behalf of HackensackUMC Palisades to "BBB+" from "BBB" with a rating outlook of "stable."

q. The U.S. Department of Justice has joined a lawsuit against Prime Healthcare Services alleging that Prime billed Medicare for patients admitted as inpatients when they should have been put on "observation" status as outpatients. The allegations arise from an alleged pattern of a decrease in patients put on observation status after Prime acquired a hospital.

r. In the Good News/Bad News category, premiums for insurance under the Affordable Care Act are expected to rise on average 11% in 2017. However, researchers with the Urban Institute and the Robert Wood Johnson Foundation have estimated cumulative projected health care spending will be $2.6 trillion less than initially projected by the Affordable Care Act for the years 2014 through 2019. The reductions are attributed to both the Affordable Care Act and the sluggish economic recovery.

s. Other articles about the effects of the ACA include how planned reductions in Disproportionate Share Hospital payments and other policy changes could severely impact hospital financial viability and a report on the transformations being experience by U.S. hospitals.

t. Hospital mergers are the subject of two articles. The first questions whether the mergers are achieving their goals. The second is another case where the federal courts have denied the FTC's bid to halt the merger of Advocate Health Care and North Shore University Health System in the Chicago area, based on anti-trust concerns. A federal court recently also prevented the FTC from preventing the merger of two central Pennsylvania hospital systems.

u. Senator Chuck Grassley has asked the IRS to update its implementation of tax-exempt hospital accountability measures. He is concerned about allegedly aggressive collections practices of several non-profit hospitals. Senator Grassley was the driving force behind IRS reforms for tax-exempt hospitals that were put in place in 2009, including the overhaul of Schedule H of the IRS Form 990.

v. An article on four forces that will be influencing medical cost trends in 2017 is also included. Readily accessible convenient health care outlets, such as retail clinics are likely to lead to higher costs. Likewise, demand for behavioral health services is also expected to increase costs. Expected to lower costs are utilization by employers of high performance health care provider networks and pharmacy benefit managers.

w. A new IRS proposal to limit the use of tax exempt bonds to entities that are under significant control of elected officials threatens to virtually end the use of tax-exempt bonds by port authorities, housing authorities and other economic development agencies. The rule would also limit tax-exempt financing to only those projects that provide no more than "an incidental benefit" to a private entity.

x. Municipal bond underwriting firms are bemoaning the shrinking underwriting spreads for the issuance of municipal bonds. Since 1996, underwriting spreads have decreased from $7.77 per $1,000 in bonds to $4.64 in 2015, $3.13 per $1,000 or a drop of over 40%. Some believe this may endanger the market for municipal bonds over the long term.

1. Authority News

   a. Mr. Hopkins will be out of the country on vacation from June 30 until July 11. He expects to have regular access to emails and cell phone. If you cannot reach him and you need anything, please contact Ron Marmelstein.

b. Mr. Hopkins informed the Members that this was Controller Michael Ittleson's last Authority meeting. He is retiring effective July 1. Michael has worked at the Authority for almost 30 years. His diligence and precision has resulted in extraordinarily exacting financial recordkeeping and reporting. He will be sorely missed for his nudging reminders and lunchroom wit. Mr. Hopkins thanked Mr. Ittleson on behalf of himself and the Authority, for the excellent work he did here.

Dr. Kazmir asked for a motion to enter into Executive Session to receive legal advice and discuss contract negotiation and potential litigation regarding St. Michael's Medical Center. Ms. Gibson made the motion. Ms. Feehan seconded. All Members voted in the affirmative and the motion passed.

The Members went into Executive Session at 10:40 a.m.

AB RESOLUTION NO. QQ-17

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 receive legal advice and discuss contractual negotiations and potential litigation regarding St. Michael's 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.

The Members return to Public Session at 10:47 a.m.

As there was no further business, following a motion by Ms. Gibson and a second by Ms. Feehan, the Members voted unanimously to adjourn the meeting at 10: 48 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 23, 2016.

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Carole A. Conover, Assistant Secretary