Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on October 27, 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; Marygrace Pesce, Designee of the Commissioner of the Department of Banking and Insurance; 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, Bill McLaughlin, Carole Conover, Jessica Lucas; Marji McAvoy, Ellen Lieber, Taryn Rommell, Debra Coons, John Johnson, Neetu “Nikki” Thukral, Edwin Fuentes, Nino McDonald, Bernie Miller and Chris Kniesler.

*The following **representatives from the State and/or the public** were in attendance:*
Cliff Rones, Attorney General’s Office; James Foley, Department of Health; Grant Leidy, Chief Financial Officer, Deborah Heart and Lung Center; John Kelly, Wilentz, Goldman & Spitzer; Mark Salimena, Managing Director, Optimal Capital Group, LLC; Jim Fearon, Gluck Walrath, LLC; Yogesh Shandilay, Member of the Public; and, via telephone, Lisa LeBoeuf, Governor’s Authorities Unit (arrived 10:15 a.m.)

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:03 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

a. September 22, 2016 Authority Meeting

Minutes for the September 22, 2016 Authority meeting were distributed for review and approval prior to the meeting. Dr. Kazmir asked for a motion to approve the minutes. Ms. Gibson made the motion. Ms. Feehan seconded. All Members voted in the affirmative and the minutes were approved.

b. October 5, 2016 Special Authority Meeting

Minutes for the October 5, 2016 Special Authority meeting were distributed for review and approval prior to the meeting. Dr. Kazmir asked for a motion to approve the minutes. Ms. Gibson made the motion. Ms. Feehan seconded. All Members voted in the affirmative and the minutes were approved.

2. AMMENDMENT TO THE LOAN DOCUMENTS
<u>Deborah Heart and Lung Center</u>

Dr. Kazmir called upon Jessica Lucas to provide the Members with the details of the Deborah Heart and Lung Center ("Deborah") request.

Ms. Lucas began by introducing Grant Leidy, Chief Financial Officer of Deborah Heart and Lung Center.

Ms. Lucas told the Members that they are being asked to adopt a resolution authorizing amendments to certain loan documents in connection with the Deborah Heart and Lung Center Series 2014 Bonds.

Ms. Lucas reminded the Members that in May 2014, Deborah entered into a $16,148,000 private placement with Siemens Public, Inc. The Series 2014 Bonds were used to refund the Deborah Heart and Lung Center, Series 1993 Revenue Bonds, fund a debt service reserve, and pay related costs incurred in connection with the issuance.

Ms. Lucas said that, based upon current market conditions, the Borrower and the Purchaser have agreed that the interest rate on the Series 2014 Bonds will be reduced from 4.28% to a rate in the mid-2% range. It is currently anticipated that the rate lock will occur during the week of November 14, 2016. The Debt Service Reserve Fund, created as security for the Series 2014 Bonds, will be eliminated and all amounts on deposit within the Debt Service Reserve Fund will be utilized to prepay a portion of the outstanding principal amount and to pay costs and expenses associated with this amendment. Subsequent to the mailing of the meeting material, the deal team determined that they will also utilize, if necessary, the 5 months of principal installments that will be held with the trustee at the time of closing to pay additional principal outstanding. The amortization of the existing bonds will be modified based upon the prepayment of a portion of the principal with the amounts on deposit within the trustee held funds.

Ms. Lucas noted that the outstanding balance of the 2014 Bonds, as of October 1, 2016, was $12,469,000, with a final maturity of July 1, 2023. She added that with this amendment the maturity date will remain the same.

According to Ms. Lucas, Wilentz, Goldman & Spitzer, Bond Counsel on this transaction, provided the resolution and amendments of the loan documents in the meeting packets. The

Attorney General's Office has also reviewed the material and has no objection to the Member's consideration of this matter.

Ms. Lucas concluded by stating that Staff recommends that the Resolution, Amended and Reinstated Trust Agreement, and First Supplemental Loan Agreement for this transaction be approved.

Ms. Lucas then said that she or Mr. Leidy would answer any of the Members questions.

Dr. Kazmir thanked Ms. Lucas for her report and asked if the Members had any questions.
There were no questions.

Dr. Kazmir then asked for a motion to adopt the resolution amending the Deborah Heart and Lung Center Series 2014 loan documents as described. Ms. Gibson made the motion. Ms. Feehan seconded. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. QQ-39

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a resolution entitled, "**A RESOLUTION OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY AUTHORIZING CERTAIN AMENDMENTS TO ITS REFUNDING BONDS, DEBORAH HEART AND LUNG CENTER OBLIGATED GROUP ISSUE, SERIES 2014, AND THE TRUST AGREEMENT AND THE LOAN AGREEMENT RELATING THERETO, AND THE ISSUANCE AND DELIVERY OF A REPLACEMENT BOND CERTIFICATE TO THE CURRENT HOLDER OF SUCH BONDS.**"

(attached)

3. CAPITAL ASSET PROGRAM

a. <u>Extension of the Program Administrator Contract</u>

Dr. Kazmir called upon Jessica Lucas to provide the Members with the reason for the contract extension.

Ms. Lucas began by introducing Mark Salimena, Managing Director of Optimal Capital Group, LLC.

According to Ms. Lucas, in November 2012, the Authority entered into a contract with Optimal Capital Group, as program administrator for the Capital Asset Program, Series A-D. The original contract was for a two-year period and was subject to three (3) one-year extensions.

Ms. Lucas stated that in September 2014, and again in October 2015, the Members approved one-year extensions to Optimal Capital group.

Ms. Lucas reported that Optimal Capital Group has agreed to the third and final extension with the same terms with the same annual cost of $12,000. As a result, Staff requests the Authority's consideration of appointing Optimal Capital Group for the third and final one-year extension.

Ms. Lucas concluded by saying that she and Mr. Salimena would be happy to answer any questions the members might have.

Dr. Kazmir thanked Ms. Lucas for her report and asked if the Members had any questions.
There were no questions.

Dr. Kazmir then asked for a motion to adopt the resolution approving the third and final one-year extension of Optimal Capital Group, LLC as Administrator of the Capital Asset Program. Ms. Gibson made the motion. Ms. Pesce seconded. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. QQ-40

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the third of three (3) possible one-year extensions of the contract with Optimal Capital Group, LLC to serve as the Program Administrator of the Capital Asset Program.

b. Appointment of a Remarketing Agent

Dr. Kazmir then asked Jessica Lucas to present Staff's recommendation for a Remarketing Agent for the Capital Asset Program.

Ms. Lucas reminded the Members that, at the October 5, 2016 Special Board Meeting, the Authority Members approved the appointment of TD Bank, National Association as the direct pay letter of credit provider for the Capital Asset Program, Series A-D, and the Optional Redemption of $50,000,000 of the outstanding balance of the Program. Upon the redemption of the $50,000,000, all remaining outstanding bonds for the Capital Asset Program will be subject to a mandatory tender for purchase and must be remarketed to the public.

Ms. Lucas stated that, due to the mandatory tender, the Authority staff conducted a Request for Proposal for Remarketing Agent Services. The RFPs were distributed on October 7, 2016 to all firms on the Authority's approved list of Remarketing Agents.

According to Ms. Lucas, seven (7) responses to the RFP were received. The responding firms were: Morgan Stanley, MUFG Securities Americas, Inc., Raymond James & Associates, Inc., Stern Brothers & Co., TD Securities (USA) LLC, Wells Fargo Securities, and Ziegler.

Ms. Lucas told the Members that the evaluation committee reviewed all of the proposals based on the following criteria: experience with pool loan programs and variable rate instruments; quality of prior service to the Authority and its clients; fees and fee arrangements; historical rate ranges; current remarketing to New Jersey borrowers; absence of securities law violations and/or litigation; and, New Jersey presence. The respondents were then ranked on weighted averages.

Ms. Lucas reported that most of the submitting firms had very comparable remarketing portfolios and spreads on the Securities Industry and Financial Markets Association index. The pricing of proposals ranged from five (5) basis points to ten (10) basis points.

Ms. Lucas told the Members that, based on the evaluation committee scores, Staff recommends that TD Securities (USA) LLC be appointed as the Remarketing Agent for the Capital Asset Program.

Ms. Lucas offered to answer any of the Members' questions.

Dr. Kazmir thanked Ms. Lucas for her report and asked if the Members had any questions. There were no questions.

Dr. Kazmir then asked for a motion to approve the resolution naming TD Securities, LLC as the Remarketing Agent for the Authority's Capital Asset Program. Ms. Pesce made the motion. Ms. Gibson seconded. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. QQ-41

NOW, THERFORE, BE IT RESOLVED, that the Authority hereby approves the appointment of TD Securities (USA), LLC as the Remarketing Agent for the Capital Asset Program.

4. APPROVAL TO ISSUE A REQUEST FOR PROPOSALS FOR BOND MANAGEMENT AND ACCOUNTING SOFTWARE

Dr. Kazmir called on Executive Director Mark Hopkins to present the Staff's request to issue a Request for Proposals ("RFP") for bond management and accounting software.

Mr. Hopkins reported that the Authority's long-term plan had several components: staff reorganization, fee restructuring, increased office automation and policy reviews. He reminded the Members that last month they approved the restructured Authority fee schedule. In addition, Mr. Hopkins noted that in August, the reorganization that reduced the staff level from 26 employees to 22 employees was accomplished ahead of schedule. And, finally, the policies governing Authority financings are currently being researched. Mr. Hopkins expects that there be a retreat in the first half of 2017 to re-examine several of the Authority's policies.

Mr. Hopkins said that the Authority would now like to start the process of increasing office automation by issuing a Request for Proposal ("RFP") to identify a provider for a bond management and accounting software solution. In their letter regarding the Authority's internal controls, the auditors recommended "that the trustee held funds be maintained on accounting software appropriate to its needs" in order to "improve accounting efficiencies and internal controls." The proposed software is also, according to Mr. Hopkins, an important component for making the Authority's reorganization work.

Mr. Hopkins noted that a draft of the RFP was included in the Member's meeting packets. He added that the scope of the software solution is intended to support a very broad array of Authority functions, including:

- Debt Management
    - Bond Structure & Sizing
    - Refunding
    - Monitor
    - Project Financing

- Requisition Processing (as related to Bond Issuance for Construction Projects)

- Compliance Management
    - Ratio Covenants
    - Financial Reporting
    - Continuing Disclosure
    - Tax Exempt Purpose of Proceeds
    - Insurance Certifications

- Cash Management
    - Trustee Held Funds Statement Reconciliation
    - Trustee Held Funds Auditing
    - Cash Flow Statements

- Accounts Payable

- General Ledger

- Budget Preparation and Budget Control
- Report Writer

Mr. Hopkins mentioned that one requirement was added to the RFP after it was mailed out to the Authority Members: Respondents are requested to provide the Authority with a demonstration of the software.

According to Mr. Hopkins, all proposals in response to the RFP are due December 7, 2016. It is hoped that a recommendation will be made to the Authority Members at the January 26, 2017 or February 23, 2017 Authority meeting.

Mr. Hopkins concluded by saying that Staff is requesting the Member's approval for the issuance and advertisement of the RFP for the bond management and accounting software solution that was provided in the meeting materials packets.

Mr. Hopkins then said that he or John Johnson, the Authority's Network Administrator, would answer any questions from the Members.

Dr. Kazmir thanked Mr. Hopkins for his report and asked if the Members had any questions. There were no questions.

Dr. Kazmir asked for a motion to approve the resolution to issue an RFP for bond management and accounting software. Ms. Gibson made the motion. Ms. Feehan seconded. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. QQ-42

> **NOW, THERFORE, BE IT RESOLVED,** that the Authority hereby approves the issuance and advertising of a Request for Proposals for bond management and accounting software.

5. AUTHORIZATION TO SIGN A RESOLUTION TO PARTICIPATE IN AN INCENTIVE PROGRAM TO ENCOURAGE EMPLOYEES TO ENROLL IN TIERED NETWORK HEALTH INSURANCE PLANS

Dr. Kazmir asked Executive Director Mark Hopkins to present a request to allow the Authority to participate in an incentive program to encourage employees to participate in tiered network health insurance plans.

Mr. Hopkins reported that the State Health Benefits Program ("SHBP") is offering a voluntary "Pilot Incentive Program" to local employers to provide financial incentives for their employees to join one of the available tiered network health insurance plans: the Aetna Liberty Plan and the Horizon OMNIA Health Plan. The Authority is considered a local employer and receives our insurance through the SHBP.

Mr. Hopkins explained that the tiered network health insurance plans require employees to use a relatively narrow network of health care providers divided into two tiers. Tier one providers have significantly lower co-pays and deductibles as well as no co-insurance. Tier two providers have higher co-pays, deductibles and subscribers are required to pay 20% coinsurance. There is no reimbursement for out-of-network services, except in the case of an emergency.

According to Mr. Hopkins, the Pilot Incentive Program is available to employees who are first-time enrollees and who also must remain enrolled for two years, from January 1, 2017 through December 31, 2018. This program does not extend to over-age children or COBRA members. The incentives vary depending on level of coverage: Single-coverage employees receive $1,000; Member/Spouse or Parent/Child-covered employees receive $1,250; and Family-covered employees receive $2,000. Please also note that the incentive amount shall be paid by the Authority to the employee within the first quarter of Plan Year 2017 and is reportable income.

Also, Mr. Hopkins said that, depending on salary and plan type (single, parent/child, employee/spouse and family); employees pay a sliding scale of between 6% and 35% of the health insurance premium. Conversely, the Authority pays between 94% and 65% of each employee's health insurance premium.

Mr. Hopkins further explained that the Authority will pay the financial incentives to any employee choosing a tiered network health insurance plan; however, due to the lower cost of the tiered network health insurance plans, the Authority will save more than the incentive payment within the first year. Plus, the employee will pay a smaller premium each year he or she is enrolled in the tiered network health insurance plan, in addition to receiving the incentive payment of between $1,000 and $2,000 in the first year.

Mr. Hopkins reiterated that local employer participation is voluntary at the option of the employer and is administered by the local employer. Employers wishing to participate must adopt the resolution provided in the meeting packet and submit a copy to the Division of Pensions and Benefits.

Likewise, Mr. Hopkins said that the Authority employee participation is also voluntary; employees will in no way be required to select a tiered network health insurance plan and may choose from all the other plans offered by the SHBP, including HMO plans, PPO plans and High Deductible Health Plans.

Mr. Hopkins also noted that the incentive shall be forfeited and returned if the subscriber fails to remain enrolled in the tiered Plan for at least two plan years, except when a subscriber becomes ineligible for healthcare due to layoff, involuntary separation, reduction to part-time status, or classification into an ineligible position. If the subscriber voluntarily retires or changes health plans due to catastrophic or emergency health needs as determined by the Authority after a full year, then the incentive shall be forfeited on a pro-rata basis.

Mr. Hopkins told the Members that Staff is recommending the adoption of the resolution, provided in the meeting packets, to allow the Authority's employees to participate in the Pilot Incentive Program, thus allowing Authority employees to choose from a wider variety of health insurance plans with different costs, benefits and savings.

Mr. Hopkins then offered to respond to any questions or comments from the Members.

Dr. Kazmir thanked Mr. Hopkins for his report and asked if the Members had any questions.

Ms. Gibson asked if anyone who left employment and was under COBRA would be able to keep their coverage. Mr. Hopkins explained that they would not lose their coverage, but if the voluntarily left employment, they would have to remit the entire incentive payment. However, if they left involuntarily, the amount returned would be pro-rated.

Dr. Kazmir then asked for a motion to approve the resolution directing the Secretary or either of the Assistant Secretaries to sign the attached resolution approving the Authority's voluntary participation in the Pilot Incentive Program. Ms. Feehan made the motion. Ms. Pesce seconded. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. QQ-43

WHEREAS, on 18, 1973, the Authority adopted Resolution 28 approving the application to participate in the Public Employees Retirement System and the State Health Benefits Program; and,

WHEREAS, the State Health Benefits Program offers insurance coverage by several insurance companies, including Horizon Blue Cross and Blue Shield of New Jersey and Aetna; and,

WHEREAS, Horizon Blue Cross and Blue Shield of New Jersey and Aetna are offering tiered-network plans known as Horizon OMNIA Health Plan and Aetna Liberty Plan, respectively; and,

WHEREAS, the State Health Benefits Program is encouraging members to enroll in these tiered-network plans; and,

WHEREAS, the Authority wishes to voluntarily participate in the Pilot Incentive Program;

THEREFORE BE IT RESOLVED, that the Authority adopts the attached resolution and directs the Secretary or either of the Assistant Secretaries to sign the attached Resolution approving the Authority's voluntary participation in the Pilot Incentive Program.

6. APPROVAL OF EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Ms. Gibson offered a motion to approve the bills and to authorize their payment. Ms. Feehan seconded the motion. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. QQ-44

WHEREAS, the Members of the Authority have reviewed the memoranda dated October 19, 2016 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $26,505.50 and $7,962.88 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.

7. STAFF REPORTS

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

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

Mr. Hopkins then presented the following items to Members:

1. Members of the Finance Committee are reminded that there will be a Finance Committee meeting on Wednesday, November 9th at 10:00 a.m. to consider the proposed 2017 Authority budget drafted by the Authority's staff. The Finance Committee consists of Suzette Rodriguez and Dr. Kazmir.

2. Hospital & Other News

    a. Inspira Health Network has announced that it has launched a telemedicine service in South Jersey. Patients can access urgent care doctors through their smart phone, tablets and computers.

b. St. Joseph's Regional Medical Center is being sued by Medical Missions for Charity, a nonprofit, that alleges St. Joseph's breached an agreement to allow Medical Missions to develop a 14-story hotel and conference center on land owned by the hospital. The suit is seeking $400 million in damages. Included in the allegations was that St. Joseph's broke a 99-year ground lease in an effort to get more money out of Medical Missions. St. Joseph's has stated that the lease in question was never ratified by the St. Joseph's board of trustees.

c. East Orange General Hospital has emerged from bankruptcy after being acquired by Prospect Medical Holdings. Prospect has invested in the infrastructure of the hospital, including revamping the lobby, establishing a new 19 single-bed unit, creating a new meditation area and renovating the emergency room waiting area and the cafeteria. In a related story, Prospect Medical Holdings acquired Waterbury Hospital in Connecticut.

d. There is a report that JFK Medical Center is seeking a potential buyer. New Jersey Advance Media quoted RWJBarnabas CEO Barry Ostrowsky as saying his organization is one of the bidders for JFK. JFK refused to confirm.

e. RWJBarnabas also announced that it is working with Rutgers University to create an extensive strategic partnership that could include research investment and medical student internships. Rutgers has medical schools in Newark and New Brunswick.

f. NJ.com issued an article on seven things to know about the plans for the new Inspira hospital planned for the Mullica Hill section of Harrison Township. The new hospital will have 210 single-patient rooms and is expected to open in September of 2019. It will replace Inspira's hospital in Woodbury.

g. LHP Hospital Group, Inc. has agreed to merge into Ardent Health Services to form the country's second largest private, for-profit hospital operator. LHP owns the majority share of HUMC Pascack Valley and HUMC Mountainside hospitals with minority partner Hackensack University Medical Center.

h. The Rutgers Cancer Institute of New Jersey is partnering with University Hospital to expand opportunities for cutting-edge patient care, research and cancer education in Newark.

i. Becker's Hospital Review has named Hackensack University Medical Center and Morristown Medical Center as two of the 100 hospitals with great heart programs.

j. MagnaCare is working with several large and small, for-profit and nonprofit hospitals and health care systems in the state to offer them self-funded health insurance plans for their employees. The plans are modeled on plans created in Minnesota and are expected to provide lower costs to these employers.

k. In ratings actions:

    i. Moody's has assigned an "A1" rating and S&P has assigned an "A+" rating to the $679 million in 2016A bonds to be issued by the Authority on behalf of RWJBarnabas in early November, both with an outlook of stable. Moody's also assigned an "A1" rating and S&P assigned an "A+" rating to approximately $464 million in 2016B taxable bonds being issued directly by RWJBarnabas simultaneously with the 2016A bonds. All other parity debt previously issued by or on behalf of Barnabas Health and Robert Wood Johnson University Hospital (other than LOC backed debt) has also been upgraded by Moody's from to "A1" from "A3" and "A2," respectively. Similarly, S&P has upgraded parity outstanding debt to "A+" from "A-" for Barnabas Health and "A" for Robert Wood Johnson University Hospital. The ratings upgrades result from the strength of the organization resulting from the recent merger of the two systems, creating the largest system in the State.

l. Princeton University settled a property tax exemption lawsuit filed by taxpayers of the Town of Princeton. The University will pay $2 million next year and $1.6 million for each of the next five years to a fund that will subsidize property tax bills for lower income residents and will pay $3.5 million to the town in each 2021 and 2022. The suit is similar to those brought against nonprofit hospitals except that this suit was not brought by the municipality itself but by the taxpayers.

m. Horizon Blue Cross Blue Shield has launched a new program for patients with Crohn's disease that will integrate mental and physical treatments to improve health and reduce costs. This is one of Horizon's value-based care programs designed to reward positive health outcomes not patient volume.

n. The Rutgers Center for State Health Policy held a forum about tiered health insurance networks like Horizon's Omnia and Aetna's Liberty networks.

o. New Jersey legislators are again working on legislation that will regulate payments to hospitals and doctors who are out-of-network with health insurers. There are two competing bills currently under consideration. The bills seek to either provide more transparency or to limit the amount a health care provider can collect for services provided out of network. Currently, in emergency situations, an insured individual is not required to pay any more than his or her co-payments or deductibles that they would normally pay if they were in network. However, insurers, who are required to pay for emergency services delivered by out-of-network health care providers, often are charged the providers charges, which are usually many times actual cost or what they are reimbursed by Medicare or in-network insurers. Additionally, patients who have scheduled procedures at a hospital in network with their insurer are sometimes surprised by bills from doctors who are not in network with their insurer. In those non-emergent cases the patients are responsible for any portion of the bill not paid by their insurer.

p. CarePoint Health, which owns Bayonne Medical Center, Christ Hospital and Hoboken University Medical Center, has filed suit against Horizon Blue Cross Blue Shield alleging that Horizon breached its contract and broke the law by underpaying CarePoint for medical bills since June of 2015. The suit seeks $76 million from Horizon. Horizon responded by accusing CarePoint of price gouging and vowing to file its own lawsuit against CarePoint.

q. The New Jersey Supreme Court has refused to hear an appeal of an appellate court's decision upholding the approval of Horizon Blue Cross Blue Shield's Omnia tiered health insurance network plan by the New Jersey Department of Banking and Insurance. The ten hospitals who brought the appeal can now only seek remedies through legislation.

r. Articles included today on state health care issues include: (i) Betsy Ryan's announcement that she will step down as CEO of the New Jersey Hospital Association after nine years at its helm; (ii) the demise of Health Republic Insurance as an exposure of the flaws in the Affordable Care Act; (iii) the New Jersey Business and Industry Association's findings that the costs of health care continue to hit small businesses hard and are resulting in more employers shifting health care costs to employees; (iv) the New Jersey Hospital Association has again been selected as one of 16 national, regional or state organizations to be selected by the Centers for Medicare and Medicaid Services to assist in reducing hospital acquired conditions and readmissions; and (v) the New Jersey Hospital Association also released a report indicating that nearly half of the 3.8% growth in emergency room volume is coming from mental health and substance abuse cases.

s. In national news: (i) after improving financial performance in 2014 and 2015, Fitch Ratings is predicting nonprofit hospital performance may decline in 2016 and 2017 due to compression of reimbursements and increase in value-based payments; (ii) Modern Healthcare reports on a survey in which health system executives said that commercial insurers are hindering progress in the implementation of value-based payment models to reduce admissions and save costs because the insurers are slow to provide reimbursement schemes to support the plans. As a result many health systems are seeking to form their own health insurance plans; (iii) a study published in Health Affairs shows that readmissions are declining at safety-net hospitals; (iv) hospital physical plants and equipment are aging with health care facilities averaging 20.7 years, the oldest since 1949, and medical equipment averaging 4.7 years, the oldest since 1945; (v) Rush University School of Medicine has conducted a study that challenges the hospital rankings of the U.S. News & World Report; (vi) Becker's Hospital Review has published a state-by-state review of the Affordable Care Act's individual marketplaces including each state's overall market, the health insurance providers available on the insurance exchange and the average rate of requested increase; New Jersey has two providers remaining in the health insurance exchange and rates have been proposed to increase by 4.4% to 19.2% since 2016; and (vii) Fox News reports on the 25% average increases in premiums for the benchmark "silver" health insurance plans being offered on the federal health insurance exchange, which serves 39 states.

t. In municipal bond legal and regulatory news: (i) the IRS is increasing its surveillance of nonprofit hospitals regarding their levels of community benefit and patient financial assistance. These became requirements under the Affordable Care Act for nonprofit hospitals with section 501(r) of the Internal Revenue Code; (ii) Penn State Milton S. Hershey Medical Center and Pinnacle Health System have abandoned their plan to merge. The merger was opposed by the Federal Trade Commission on anti-trust grounds but a federal district court denied the FTC's request for a preliminary injunction to stop the merger. The Third Circuit Court of Appeals reversed the district court and an injunction was granted, causing the hospital systems to back off their merger plans; (iii) the SEC approved rules that require mutual funds and exchange traded funds to maintain investments with a high level of liquidity and limit investments with less liquidity. The rule is seen as harmful to the municipal bond market, which makes up about $689 billion of those funds, because municipal bonds are seen as less liquid due to their relatively low trading volume; and (iv) the MSRB is proposing Rule G-49 which would prevent dealers from selling to customers in amounts below the minimum denomination set by the issuer.

3. Authority News

   a. Carl MacDonald tendered his resignation in late September, effective October 11th. He has taken the position of Project Manager at the New Jersey Educational Facilities Authority. The Authority wishes him well. We have started interviewing for his replacement.

   b. The Authority has completed 9 financings so far this year for a total amount of $1.911billion of bonds. This is a new Authority record, eclipsing the previous record by 37.4%. In addition, the Authority had its single largest series sale of $679 million on behalf of RWJBarnabas. The previous records were a single series sale $458 million (Barnabas Health in 1998) and $569 million (a combined series total for Virtua in 2009.) Mr. Hopkins congratulated the Project Management staff for their work in acquiring the financing deals and everyone on staff who made them happen.

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: 37 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 OCTOBER 27, 2016.

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Carole A. Conover, Assistant Secretary