Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on July 27, 2017 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

*The following **Authority staff members** were in attendance:*
Mark Hopkins, Frank Troy, Ron Marmelstein, Carole Conover, Bill McLaughlin, Marji McAvoy, Edwin Fuentes, Taryn Rommell, Ellen Lieber, Neetu "Nikki" Thukral, John Johnson, Michael Solidum, Bernie Miller and Chris Kniesler.

*The following **representatives from the State and/or the public** were in attendance:*
Cliff Rones, Attorney General's Office; and, via telephone, Mary Maples, Governor's Authorities Unit;

CALL TO ORDER

Mr. Hopkins reported that all Members were participating by telephone, as well as Ms. Maples from the Governor's Authority Unit. He then announced who was present in the room.

Dr. Kazmir called the meeting to order at 10:03 a.m. and announced that this a regular meeting of the Authority, held in accordance with the schedule adopted at the May 25, 2017 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
June 22, 2017 Authority Meeting

Minutes for the Authority's June 22, 2017 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. Rodriguez seconded. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. All Members voted in the affirmative and the minutes were approved.

2. APPROVAL OF EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Dr. Kazmir asked for a motion to approve the expenses. Ms. Gibson offered a motion to approve

the bills and to authorize their payment. Ms. Rodriguez seconded the motion. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. The vote was unanimous and the motion carried.

AB RESOLUTION NO. RR-12

WHEREAS, the Members of the Authority have reviewed the memoranda dated July 19, 2017 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $15,580.00 and $3,380.67 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.

3. STAFF REPORTS

Dr. Kazmir thanked Staff for the Project Development Summary, Cash Reconciliation Report, Semi-Annual Budget Report and Legislative Advisory reports.

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

Mr. Hopkins stated that because all of the Members were participating by telephone, his Executive Director's report was emailed to the Members prior to the meeting so they could read it at their convenience. He then asked if the Members had any questions.

Dr. Kazmir stated that he had no questions and asked if the Members had any. There were no questions.

For the record, Mr. Hopkins' report included the following:

1. Earlier this month Governor Christie proposed moving the Division of Mental Health and Addiction Services from the Department of Human Services to the Department of Health. The move would involve about 200 workers and $975 million in federal and state spending on programs serving nearly 100,000 state residents. The move is an effort to improve efficiency and coordination and better integrate behavioral and physical health care services. The plan will go into effect on August 28, unless both houses of the legislature approve a resolution opposing the plan. On Tuesday, July 25, a joint hearing was held by the Senate Health, Human Services and Senior Citizens Committee and the Assembly Human Services Committee to assess the Governor's proposal. After the hearing, the chairs of the Assembly and Senate committees indicated they would submit a resolution in their respective bodies to oppose the move. While many agreed there needed to be better coordination between the Division and the Department of Health,

members of the committee were uncertain this would be an appropriate solution and wondered why it needed to be done so quickly, especially considering a new administration is slated to be elected in November. Commissioner Bennett published a statement on the need to integrate mental, physical and behavioral health care yesterday, a copy of which was provided to the Members.

2. Hospital & Other New

    a. Virtua has named Dennis Pullin to succeed Richard Miller as CEO and President this fall. Mr. Pullin was previously president at MedStar Health's hospital in Baltimore while simultaneously serving as Senior Vice President of the MedStar Health System. He also has experience in senior management at other hospitals, including teaching hospitals, in Texas and Tennessee. Mr. Miller is retiring in the fall after 22 years as Virtua's CEO.

    b. Jay Picerno has been promoted from Chief Operating Officer of RWJ Barnabas Health to Executive Vice President and Chief Strategy Officer. Tom Biga and Amy Mansue will continue to oversee the north and south divisions of RWJBarnabas.

    c. Kennedy Health System has announced that John Graham will become the Chief Administrative Officer of Kennedy University Hospital in Washington, NJ. Since 1998, Mr. Graham served in several senior management positions at Inspira Health Network. From 1991 to 1998, he was the Assistant Hospital Administrator at Kennedy University Hospital in Washington.

    d. The Bergen County Freeholder Board has selected Care Plus Bergen to take over operations of the Bergen Regional Medical Center, the county-owned 1000 bed facility that provides acute care, behavioral health care and long-term care. Care Plus Bergen, a nonprofit organization, consists of Care Plus NJ, a mental health outpatient company and Integrity House, an addiction treatment center. It will subcontract with Rutgers New Jersey Medical School to provide clinical services. Care Plus Bergen will succeed Solomon Health Group, a for-profit corporation, which has run the hospital for 20 years, on October 1. Care Plus Bergen plans to focus on not only treatment but preventive care and aftercare as well as to extend addiction treatment services beyond detox programs.

    e. The NJBiz Healthcare Heroes Awards for 2017 were presented earlier this month. Among the notable recipients was Saint Barnabas Medical Center as Hospital of the Year, and Hackensack Meridian Health's President of Physician Services and Chief Innovation Officer, Dr. Andrew Pecora, as Executive of the Year.

    f. Riverview Medical Center, part of Hackensack Meridian Health, was named as the second most beautiful hospital in the country by Soliant Health, a specialty

health care staffing provider. First place went to Orange Regional Medical Center in Middletown, New York.

g. Hackensack Meridian Health has opened an urgent care center in Freehold.

h. Newark Beth Israel Medical Center, part of RWJBarnabas Health, is expected to perform its 1,000th heart transplant by the end of the summer. Only 11 other hospitals in the country have reached this milestone.

i. Overlook Medical Center, part of Atlantic Health System, has reached a settlement with the town of Summit. Pursuant to the settlement, Overlook will pay nearly $800,000 each year through 2023 in lieu of paying property taxes. Dozens of other hospitals in New Jersey are currently engaged in litigation or settlement discussions with their host municipalities over property taxes after a judge found Morristown Medical Center, also part of Atlantic Health System, did not qualify for its property tax exemption due to its large amount of for-profit activity. A bill introduced this spring by Senator Sarlo to require hospitals to pay a community service fee of $2.50 per bed per day in lieu of taxes has not yet been put up for a vote.

j. Reports are indicating that CarePoint Health is on the verge of reaching an agreement with Horizon Blue Cross Blue Shield to be an in-network provider. CarePoint operates hospitals in Bayonne, Hoboken and Jersey City. CarePoint Hospitals have been out-of-network with Horizon since their various contracts expired between June of 2015 and June of 2016.

k. In ratings actions:

    i. In mid-June, Standard & Poor's affirmed its "AA-" rating on approximately $281 million of outstanding bonds issued by the Authority on behalf of Virtua Health with an outlook of stable.

    ii. Moody's affirmed its "Baa1" rating of approximately $240 million of bonds issued by the Camden County Improvement Authority on behalf of Cooper Health System with an outlook of stable. Standard & Poor's also affirmed its "BBB+" rating but revised its outlook from positive to stable due to "potential additional debt plans to address capacity issues."

l. The Nicholson Foundation awarded six organizations $225,000 each to make mental health care easier to access by integrating mental health care and substance abuse services treatment into primary care physician offices. New Jersey recipients included Kennedy Family Health Services and AtlantiCare.

m. The New Jersey Hospital Association's Institute for Quality and Patient Safety was given honorable mention for the American Hospital Association's Dick Davidson Quality Milestone Award for improving sepsis outcomes throughout

New Jersey and improving treatment access for substance abuse disorders and mental illness for residents in the southern part of New Jersey in collaboration with five southern New Jersey health systems.

n. Out-of-Network insurance reform legislation has been delayed by the budget debate and brief government shutdown. Chair of the Senate Health Committee, Senator Joe Vitale, plans to spend the summer meeting with other legislators and stakeholders to discuss the proposal in hopes of having a vote on the legislation before the end of the year.

o. On July 1, the Department of Human Services began paying mental health providers on a fee-for-service basis rather than on the previous prepayments under contract to certain limited providers. The department notes that services will now be available in more places and at higher reimbursement rates. Providers under the contracts argue that they have had to lay off staff in anticipation of patient reductions and the change may confuse people seeking treatment.

p. Eight hospital systems have partnered with QualCare to form a tiered network health insurance plan for small groups. Called the Community Care Network, the plan will have access to 13 hospital providers from Atlantic Health System, CentraState Healthcare System, East Orange General Hospital, Holy Name Medical Center, St. Peter's Healthcare System, St. Joseph's Healthcare System, Trinitas Regional Medical Center and Valley Health System. The tiered network is similar in structure to Horizon's Omnia health plan. In fact, many of the hospital participants were excluding from Tier One of the Omnia plan.

q. Other articles on New Jersey health care provided today include:

    i. Why hospital mergers are the new normal in New Jersey? Answers include efficiency of scale, negotiating power, capturing a larger population to affect population health and ability to take on insurance risk.

    ii. An interview, appearing in Becker's Hospital Review, with Barry Ostrowsky, CEO of RWJBarnabas, on how health systems need to address population health management.

    iii. The pilot project of the New Jersey Innovation Institute to create a "Master Person Index" to make it possible to distinguish every patient and better target treatment and avoid mistakes.

    iv. The increasing rate of growth in patients with diabetes in southern New Jersey despite the slowing of diabetes growth rate elsewhere in the country.

v. The State Supreme Court has ruled that Horizon Blue Cross Blue Shield must turn over its documents relating to how it chose the hospitals for its Omnia network Tier One status to the plaintiff hospitals who have filed a suit against it alleging that they were unfairly excluded, i.e. CentraState Medical Center, Holy Name Medical Center, St. Peter's University Medical Center and Valley Hospital.

vi. President Donald Trump has designated former New Jersey Commissioner of Health Dr. Poonam Alaigh to serve as Acting Under Secretary for Health at the Department of Veterans Affairs.

vii. Nine large hospital expansions are highlighted by Becker's Hospital Review, including Virtua Health's nearly $1 billion new hospital in Westhampton (to replace its Mount Holly facility) and Valley Hospital's $735 million new hospital in Paramus (to replace its Ridgewood facility).

r. Other articles about national health care issues include:

i. HealthcareDive noted Politico's report on the nonprofit hospitals reduction in providing community spending and increased revenue since the Affordable Care Act. My personal rebuttal to this study as that while it is true we have seen nonprofit hospital margins grow since the Affordable Care Act and the amount of their charity care shrink, this is as a result of more people being covered by Medicaid and other insurance, not as a conscious decision on the part of nonprofit hospitals to provide less charity care. In fact in the last year, New Jersey has seen margins decline in what Mr. Hopkins believes is a result of the plateauing of insurance coverage, increased penalties for preventable conditions and readmissions, increase in lower reimbursed observation patients and reduction in overall hospital admissions as a result of better preventive care. Mr. Hopkins suspects that the uptick in income was part of the intended design of the Affordable Care Act so that hospitals could adjust slowly to the reductions in other areas, which reductions have increased over time.

ii. A HealthcareDive report on the Commonwealth Fund's study that found most states do not have protections for consumers against out-of-network charges.

iii. Healthcare Dive also reported on a Deloitte Center for Health Solutions study that found that hospitals want to enact value-based care but struggle to fund and build initiatives to do so.

iv. Fierce Healthcare reports on the need for a culture shift at hospitals to sustain population health.

v. Fierce Healthcare also reports on the Government Accountability Office's finding that hospitals with low quality scores still received bonuses under the value-based purchasing program.

vi. Medicaid expansion has had close to zero net effect on nonprofit hospital finances, according to a report by AcademyHealth. The findings, summarized in Becker's Hospital Review, noted a 25% reduction in uncompensated care was offset by a 15% in Medicaid payment shortfalls between 2009 and 2015.

vii. Death rates do not increase when hospitals reduce admissions according to a study published in JAMA and reported in Fierce Healthcare.

viii. Harvard's T.H. Chan School of Public Health surveyed Medicaid enrollees and found that the vast majority believed that Medicaid met their needs.

ix. Becker's Hospital Review has an extensive article on what 45 hospital executives believe the hospitals of the future will be like.

x. The Commonwealth Fund ranked the United States last in healthcare outcomes compared to the other ten most developed countries in the world.

xi. Fitch Ratings has released a public finance focus report on healthcare organizations that finds, among other things, that there will be continued growth in the employment of physicians by nonprofit hospitals.

xii. Modern Healthcare reports that hospitals are currently able to manage their growing debt load but that may change if operations falter or a large number of people lose their health insurance as a result of changes to or a repeal of the Affordable Care Act.

xiii. Fierce Healthcare reports that merger trends among larger health care organizations continued through the first half of 2017.

xiv. Bloomberg noted in late June that tax-exempt bonds for hospitals resumed their winning streak after the Senate failed to repeal and replace the Affordable Care Act.

xv. A plurality of 17% Americans believe that the cost of health care is their top financial concern, according to a June Gallup poll. Too much debt (11%), lack of money (10%), college expenses (10%), costs of owning/renting a home (9%), high cost of living/inflation (8%), retirement savings (6%), taxes (5%) unemployment/loss of job (3%), and social security (3%) rounded out the top ten financial concerns.

s. Articles are included on:

i. the Congressional Budget Office's scoring on the Senate bill to repeal and replace the Affordable Care Act, estimating 22 million people will lose insurance by 2026, premiums would increase in the first two years and decrease for a few years thereafter, out-of-pocket expenses would increase and $321 billion in savings would result.

ii. observations on the Senate bill by Linda Schwimmer, President and CEO of the New Jersey Health Care Quality Institute, noting it is more problematic than the House bill largely due to the Cruz amendment, which would permit bare bones plans that would cause all high risk patients into more comprehensive plans causing their premiums to increase astronomically. Progress so far includes a vote on Tuesday afternoon in the Senate to allow debate on the repeal or the repeal and replacement of the Affordable Care Act by a margin 51 to 50, in which the Vice President was needed to break the tie. Tuesday night, the Senate voted down its Better Care Reconciliation Act, the comprehensive plan to replace the ACA, by a vote of 43 to 57. Yesterday afternoon, the Senate voted down a plan 45 to 55 to repeal the ACA in two years, which would allow time to craft a replacement plan. There is still a vote planned on a "skinny repeal," which would repeal individual and employer mandates as well as the medical device tax but would leave most other provisions of the ACA intact. If the "skinny repeal" fails, Senators may propose a broad range of amendments to any of the bills.

t. In legal and regulatory municipal bond news, articles are being provided on:

i. The Federal Open Markets Committee leaving the federal funds target rate unchanged yesterday.

ii. The MSRB is again being asked by market groups to broaden its exception for requiring CUSIPs for private placements.

iii. The MSRB releasing compliance guidelines for municipal advisors.

iv. EMMA, the MSRB's municipal bond disclosure and reporting website, being credited with reducing market inefficiencies like price volatility and price differentials in municipal bonds.

v. The Securities and Exchange Commission's Office of Investor Advocate is advising that reforming the municipal bond market will be one of its priorities in 2018.

vi. The Department of Justice has created a new Health Care Fraud Unit to investigate all types of health care fraud and build upon the successes of recent health care fraud prosecutions.

vii. The Department of Labor has abandoned a proposed Obama-era overtime rule that would have increased the maximum salary threshold to qualify for overtime eligibility from $23,660 annually to $47,476 annually. Had the increased maximum been allowed to stand, an estimated 200,000 additional hospital workers and 300,000 additional non-hospital healthcare workers may have been eligible to collect overtime, which could have had a negative financial effect on healthcare providers.

3. Authority News

    a. Jessica Lucas is celebrating her tenth anniversary at the Authority on July 31.

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 10:09 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 JULY 27, 2017.

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Carole A. Conover, Assistant Secretary