Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on November 16, 2017 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; Maryann Kralik, Designee of the Commissioner of the Department of Banking and Insurance; Jessica Feehan, Designee of the Department of Human Services; and, via telephone, 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 Rommel, Jessica Lucas, Ellen Lieber, Neetu "Nikki" Thukral, John Johnson, Nino McDonald, Diane Johnson, Debra Coons and Chris Kniesler

*The following **representatives from the State and/or the public** were in attendance:*
Cliff Rones (via telephone at the beginning and arrived at 10:27) and Jeet M. Gulati, Attorney General's Office; Tyler Yingling, Governor's Authorities Unit; Jim Foley, Department of Health; Mark Sblendorio, Vice President of Legal Services, St. Luke's Health Network; Kevin Fiore, Ted Fiore and Eric Wolf, Village Drive Healthcare Urban Renewal, LLC; John Dellocono, Senior Vice President and Chief Financial Officer, CentraState Medical Center; and Chuck Stafford, Ponder & Co.

## CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:18 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
## October 26, 2017 Authority Meeting

Minutes for the Authority's October 26, 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. Feehan seconded. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. Dr. Kazmir called for a vote. Dr. Kazmir, Ms. Gibson, Ms. Feehan and Ms. Rodriguez voted in the affirmative. Ms. Kralik abstained and the minutes were approved.

## 2. INFORMATIONAL UPDATE
**Village Drive, LLC**

Dr. Kazmir called on Edwin Fuentes to provide an informational presentation and financial projections pertaining to the Village Drive transaction to the Members.

Mr. Fuentes began introducing the partners of Village Drive Healthcare Urban Renewal, LLC: Kevin Fiore, Ted Fiore, Eric Wolf.

Mr. Fuentes informed the Members that Village Drive Healthcare Urban Renewal, LLC, is a for-profit limited liability company, the owner and developer of the proposed project. The members of Village Drive are ALFNJ, LLC (the managing member), CDP Millville, LLC, and Shelter American Holdings Inc. The management team for Village Drive has worked on several other assisted living facilities including a $19.4 million financing with the Industrial Development Authority of the City of Phoenix, Arizona, as well as a $22.35 million financing with the Housing and Redevelopment Authority in and for the City of St. Cloud, Minnesota. In addition, AHP Housing Fund, a subsidiary of Berkshire Hathaway Inc., is the company's limited partner on the transaction.

According to Mr. Fuentes, Village Drive has requested that the Authority issue bonds to be sold through an unrated negotiated public offering. Proceeds of the transaction will be used to renovate, construct, and equip an assisted living residence for low-income seniors, on a 6-acre site of land in Millville, Cumberland County, New Jersey. The project will consist of, among other things: the renovation of an existing private room hotel, the new construction of additional units, an administrative and resident activity areas, including an adult day care facility; reimbursement to Village Drive for certain prior expenses; funding of capitalized interest; and paying the related costs of issuance. The bond issue is expected to be approximately $23 million.

Mr. Fuentes then turned the meeting over to Frank Troy, Director of Research, Investor Relations and Compliance to provide a review of Village Drive's financial projections. After Mr. Troy's presentation, Mr. Fuentes said that he would answer any questions the Members had.

Mr. Troy told the Members that the developers of Village Drive Healthcare Urban Renewal LLC (Village Drive or the Project) provided the financial projections included in the meeting packets. Village Drive also provided staff with very detailed assumptions including census, monthly rates, staffing, operating expenses and inflation rates. Staff reviewed this information and benchmarked it to other projects undertaken by the Village Drive development team and national medians when available. Based on the review, Mr. Troy said that the staff considers the projections reasonable.

According to Mr. Troy, the Project's 154 assisted living units would achieve stabilized occupancy of 144 or 94 percent over eighteen (18) months. This fill-up period is consistent with that of similar projects. The 88% stabilized utilization of the Project's adult day care slots is also reasonable. With respect to resident and client service revenue, rate and escalation assumptions are reasonable, including the 1% increase in Medicaid payments. Staff also reviewed the staffing plan and projected expenses. Mr. Troy believes that the development team's assumptions appear reasonable including the 3% annual expense inflation factor.

Mr. Troy stated that the staff's analysis of projections showed the following after stabilization:

- Operating margins using our standard methodology were approximately negative 4.5 percent. EBITDA margin, which is Earnings Before Interest, Taxes, Depreciation and Amortization, was in excess of 20 percent.
- The projected debt service coverage ratio for 2022 and 2023, which are the first two years of stabilized operations, was 1.15, above the proposed required ratio of 1.10.
- Days cash on hand for 2022 and 2023 was 64, again above the proposed requirement of 60.

Mr. Troy concluded by saying that the projections suggest the Project would generate sufficient funds to meet its debt service obligations. He then offered to answer any questions the Members had. There were no questions.

Dr. Kazmir reminded the Members that the presentation was for informational purposes only and that no action was required by the Members at this time.

**3. NEGOTIATED SALE REQUEST AND INFORMATIONAL PRESENTATION**
**<u>CentraState Medical Center</u>**

Dr. Kazmir asked Edwin Fuentes to provide the Members with the details of CentraState Medical Center's request to issue bonds using a negotiated sale in the form of a private placement.

Mr. Fuentes advised the Members that his presentation serves as a negotiated sale request in the form of a private placement and an informational presentation. He then introduced John Dellocono, Senior Vice President and Chief Financial Officer from CentraState Medical Center.

Mr. Fuentes informed the Members that CentraState Medical Center (the "Medical Center") has signed a Memorandum of Understanding with the Authority and staff has begun the process of structuring a tax-exempt financing of approximately $34.3 million. The proceeds of the financing will be used to refund the Series 2006A Bonds issued by the Authority and pay the related costs of issuance. The transaction is expected to be structured as a private placement purchased by Siemens. Moody's currently rates the Medical Center Baa1.

According to Mr. Fuentes, the Medical Center, a wholly-owned subsidiary of the CentraState Healthcare System (the "System"), is a 276-bed general acute care community hospital located in Freehold, NJ. The Medical Center provides a broad range of adult, pediatric and newborn acute care services as well as numerous outpatient, ambulatory and emergency care services and enjoys a leading market position in an affluent and high-growth service area with an absence of any significant nearby inpatient competition.

Mr. Fuentes reported that outstanding Authority issued obligations of the System include CentraState Medical Center Series 2006A, Series 2014A through C, the 2010 Capital Asset Program Loan, and Series 1998 Bonds issued on behalf of CentraState Assisted Living. The total outstanding Authority debt issued on behalf of the System is approximately $84.11 million.

Mr. Fuentes said that the annual financial information for the Medical Center provided, indicates that Net Patient Revenues increased in 2016 to $259.3 million, up from the previous year's amount of $249.4 million. Days Cash on Hand has remained strong at 198.17 days in 2016, higher than the statewide median of 145.29. The Medical Center's Operating Margin for 2016 was at 0.96, a decrease from the previous year's 1.33. Debt Service Coverage ratio was 2.77 times and Cushion Ratio was 12.52 times. FTE's per adjusted occupied bed were 6.02 FTE's in 2016, up from the previous year's 5.89 FTE's and above the statewide median of 5.43. Unaudited twelve-month interim financial statements indicate performance consistent with the fluctuations of previous years.

In addition, Mr. Fuentes stated that the Medical Center's Annual Inpatient Utilization Trends for the period 2014 to 2016 are stable, showing no material deviation in admissions and inpatient days. Length of stay has remained relatively constant, as has the occupancy rate on licensed beds. Utilization statistics derived from interim financials for June 30, 2017 indicates performance is consistent with the same period for 2016.

Mr. Fuentes said that the Medical Center has asked that the Authority permit the use of a negotiated sale based on volatile market conditions. This reason is considered under the Authority's policy regarding Executive Order #26 to be a justification for the use of a negotiated sale.

Mr. Fuentes added 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. The Medical Center, along with its financial advisor, has conducted an analysis to determine whether to proceed with a private placement or a public offering. Based upon its analysis, a private placement would: (i) provide a difference of net present value savings to refunded par of approximately $2.5 million; (ii) reduce the costs of issuance; and (iii) expedite the issuance of the refunding bonds. Given those reasons, Mr. Fuentes recommended the consideration of the resolution, included in your meeting materials, approving the use of a negotiated sale in the form of a private placement and the forwarding of the justification in support of said resolution to the State Treasurer.

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

Mr. Fuentes concluded by telling the Members he anticipate staff will be requesting the approval of a contingent sale of bonds at the Authority's Special Board Meeting on December 7, 2017. Mr. Fuentes then said that he or Mr. Dellacono would answer any questions the Members had. There were no questions.

Dr. Kazmir asked for a motion to approve the resolution authorizing the use of a negotiated sale in the form of a private placement on behalf of CentraState Medical Center. Ms. Gibson made the motion. Ms. Kralik seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. Dr. Kazmir called for a vote. All Members voted in the affirmative and the motion passed.

**AB RESOLUTION NO. RR-26**

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

*(attached)*

## 4. CAPTIVE INSURANCE AUDIT WAIVER
**St. Luke's Warren Hospital**

Dr. Kazmir called upon Taryn Rommell to inform the Members of St. Luke's Warren Hospital's request for a captive insurance waiver audit.

Ms. Rommell began by introducing Mark Sblendorio, Vice President of Legal Services of St. Luke's Health Network.

Ms. Rommell told the Members that, in May 2015, the Financial Accounting Standards Board issued a new standard (ASU 2015-09) which applies to property and casualty insurance entities such as St. Luke's Health Network Insurance Company, a Reciprocal Risk Retention Group (the "RRRG") domiciled in Vermont. The standard would require RRRG to disclose in the footnotes to its financial statements, reserves and claims for specific years, rather than in total, as it has done historically. RRRG's counsel believes this information would prejudice the RRRG during claim negotiations with plaintiffs. The expanded footnote disclosures would be required for RRRG's fiscal period ending December 31, 2017.

According to Ms. Rommell, the Vermont Department of Financial Regulation (the "DFR"), the regulatory body charged with oversight of the RRRG, has recognized the burden that these enhanced disclosure requirements may place on small, privately held, insurance companies such as the RRRG. Ms. Rommell directed the Members to Exhibit A in their meeting packets. Mr. Rommell said that, in April 2017, the DFR released that memo, stating the DFR's willingness to grant a waiver to exclude the new disclosures required by the provisions of ASU 2015-09. Management of the RRRG applied to the DFR by letter to obtain such waiver that was granted on October 24, 2017, the request and approval is included in your board packet as Exhibit B.

Ms. Rommell reported that the management of the RRRG discussed the permitted practice allowed by its regulator with their independent auditor, Crowe Horwath, LLP. Crowe Horwath has indicated that Generally Accepted Accounting Principles would require Crowe Horwath to issue a qualified opinion due to the omission of year specific disclosure in the footnotes. Ms. Rommell said that the form of this qualified opinion was Exhibit C in the meeting packet. Ms. Rommell noted that the only reason a qualified opinion would be given is due to the omission of year specific disclosure and not any issue with the basic financial statements or financial condition of the RRRG. Pursuant to Section 6.11 of the Series 2013 Loan Agreement, the Hospital is required to deliver evidence that the self-insurance or captive insurance program has been audited by a nationally recognized Independent firm of public accountants and has received an unqualified opinion (the form of which opinion shall not be unacceptable to the Authority).

Ms. Rommell concluded by saying that the Authority has not received any other requests for such waivers to date. This waiver is requested so that a qualified opinion will not deem the RRRG noncompliant due to the 2017 Audit. She added that this matter would have to be revisited in future years if the Authority would like to grant the waiver again to the RRRG. Ms. Rommell pointed out that St. Luke's Health Networks' Audit will remain unqualified and that only St. Luke's Health Network Insurance Company, A Reciprocal Risk Retention Group that will receive the qualified opinion due only to the omission of certain footnote disclosures discussed. The Attorney General's office has reviewed the waiver and has no objection to the Members' consideration of this request.

Ms. Rommell asked if the Members had any questions. There were no questions.

Dr. Kazmir asked for a motion to approve the captive insurance audit waiver for St. Luke's Warren Hospital. Ms. Gibson offered the motion. Ms. Feehan seconded. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. Dr. Kazmir called for a vote. All Members voted in the affirmative and the motion passed.

**AB RESOLUTION NO. RR-27**

**NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby authorizes approving the captive insurance audit waiver for St. Luke's Warren Hospital; and,

***BE IT FURTHER RESOLVED,*** that the Executive Director is authorized to execute said document and take any related actions necessary to effectuate the waiver.

## 5. DIRECTOR'S AND OFFICERS LIABILITY INSURANCE/EMPLOYMENT PRACTICES LIABILITY

Dr. Kazmir asked Controller Marji McAvoy to brief the Members on the renewal of the Directors and Officers Liability Insurance policy.

Ms. McAvoy reminded the Members that the Directors and Officers/Liability/Employment Practices Liability insurance policy provides protection to past, present and future Members of the Authority board, committee members, officers and staff. It is a claims made policy and provides coverage for a claim that is first made against the policy period and reported, in writing, to the insurer.

According to Ms. McAvoy, the Authority's $20 million Directors & Officers Liability/Employment Practices Liability policy, which has been provided through National Union Fire Insurance Company of Pittsburgh, PA (AIG) expires on December 18, 2017. The expiring policy is a one-year policy with a premium of $81,010 plus a NJ surcharge of $487, for a total of $81,497. The deductible on the expiring policy is $175,000.

Ms. McAvoy informed the Members that, for the last several years, AIG was the only carrier that would still offer a full $20 million policy. This year, due to a change in their business position, AIG has declined to quote on the $20 million primary Directors & Officers Liability/Employment Practices Liability and limited their quote to a $10 million policy. In response, Marsh has marketed the account and received favorable results from two carriers: Zurich American Insurance Company and Great American Insurance Group.

Zurich American Insurance Company has quoted a premium of $70,500 while Great American Insurance Group has quoted a premium of $70,638, exclusive of the .6% surcharge. There is no material difference in coverage. Both carriers are rated A+ by AM Best and will match the Continuity Dates on the current AIG Policy.

Ms. McAvoy pointed out that the net decrease in premium for the Zurich American Insurance Company policy with a $20 million limit is $10,574, or 12.9% less than the expiring policy. Given the price difference, Ms. McAvoy said that staff recommends Zurich American Insurance Company for the Directors and Officers/Liability/Employment Practices Liability coverage for the period December 18, 2017 through December 18, 2018.

Dr. Kazmir thanked Ms. McAvoy for his report and asked if the Members had any questions. Ms. Kralik asked if the deductible of the new policy would remain the same. Ms. McAvoy replied that the deductible will remain at $175,000. Dr. Kazmir asked for a motion to accept the staff's recommendation and purchase the policy with Zurich American Insurance Company. Ms. Feehan offered the motion. Ms. Gibson seconded. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. Dr. Kazmir called for a vote. All Members voted in the affirmative and the motion passed.

**AB RESOLUTION NO. RR-28**

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the purchase of the Directors and Officers/Liability/Employment Practices Liability with Zurich American Insurance Company.

## 6. 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. Feehan seconded the motion. Dr. Kazmir asked if the Members had any questions on the motion. There were no questions. All Members voted in the affirmative and the motion carried.

**AB RESOLUTION NO. RR-29**

> **WHEREAS,** the Members of the Authority have reviewed the memoranda dated November 9, 2017 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees in the amount of $5,238.03 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 Reconciliation Report, Third Quarter Budget Report and Legislative Advisory reports.

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

Mr. Hopkins reported:

1. Special Meetings of the Authority are scheduled for Thursday, November 30, 2017 at 10:00 a.m. and Thursday, December 7, 2017 at 10:00 a.m. in addition to the regular meeting scheduled for Thursday, December 14, 2017 at 10:00 a.m. All the meetings will take place at the Authority's offices. Mr. Hopkins said he expects to have the award of the contract for the assessment of the state psychiatric hospitals and approve the bond sale for Village Drive at the November 30 meeting. At the December 7 meeting, the

Members will be asked to approve contingent bond sale on behalf of CentraState. Finally, he anticipates the approval of the CAP loan for the John Brooks Recovery Center at the December 14 meeting.

2. Mr. Hopkins thanked all the Authority Members and designees for timely completing the State ethics training required by Executive Order #41 (Codey).

3. Governor Christie has appointed Christopher Rinn as Acting Commissioner of Health. Mr. Rinn has served as Assistant Commissioner of Division of Public Health Infrastructure, Laboratories, and Emergency Preparedness since 2010. Previously, he was Executive Director of Emergency Medical Services and Governmental Affairs at Jersey City Medical Center and a paramedic for the New York City Fire Department.

4. Governor-Elect Phil Murphy has named 81 people to his transition team, which is being headed by Jose Lozano, Chief of Staff at Hackensack Meridian Health. He has also named Peter Cammarano and Matt Platkin as his Chief of Staff and Chief Counsel, respectively. He also plans to appoint Lt. Governor Elect Sheila Oliver to serve as Commissioner of the Department of Community Affairs.

5. Hospital & Other News

    a. RWJ Medical School has opened a new Adult Clinical Research Center in partnership with Rutgers University to provide increased collaboration in research between Rutgers and the medical school. The Center currently has 36 active and 20 pending trials for various new medical treatments.

    b. RWJBarnabas Health is planning to offer telehealth services to it 32,000 employees next year to help it enter the broader market for telehealth services. The services will start with behavioral health but are expected to expand to other health services.

    c. RWJBarnabas' Jersey City Medical Center has received a seven-figure donation from Joseph A. Panepinto, Sr., a Jersey City developer. The donation will prompt the hospital to build a new 60,000 square foot building that will house a new emergency department, new surgery suites and additional private patient rooms.

    d. Jefferson Health System has announced layoffs of 300 employees and another 300 jobs eliminated through attrition. Jefferson has been on an expansion spree, acquiring Abington Health in 2015, Aria in 2016, Philadelphia University in July of 2017 and Kennedy Health in September this year. It currently has about 30,000 employees.

    e. St. Peter's University Hospital is laying-off 66 full-time employees as part of a reduction of 108 jobs. The cuts are needed to keep the hospital competitive according to CEO Les Hirsch.

f. St. Peter's received $8.5 million in funding from the Energy Resilience Bank of the Economic Development Authority. The ERB was created with federal Superstorm Sandy funds to help keep key State infrastructure from losing power during natural disasters. The funds include part grant and part low interest loan to construct a two-megawatt generator.

g. Dr. Kazmir penned an article in the Huffington Post highlighting the accomplishments of Deborah Visconi, the new President and CEO of New Bridge Medical Center, formerly known as Bergen Regional Medical Center.

h. Public comments on Valley Hospital's Certificate of Need application to move to Paramus were heard on November 13. The hospital has fought objections to expanding its facility in Ridgewood for about a decade and is instead planning to build a 372-bed, $750 million replacement hospital in Paramus. The State Health Planning Board will be required to review the application and make a recommendation for a final decision by the Commissioner of Health. If approved, construction would begin in 2019 with an expected opening of 2023.

i. Fitch has affirmed its "AA-" rating on approximately $604 million of outstanding bonds issued by the Authority on behalf of Virtua Health. The rating outlook remains stable.

j. Horizon Blue Cross Blue Shield is touting the savings it achieved through its value-based, "patient-centered" programs in 2016. The programs have seen a 50% increase in patient enrollments, a 3% decrease in the total cost of care and improved preventative care an early screening.

k. Leapfrog has released its semi-annual hospital safety grades. The list for New Jersey hospitals was provided. Thirty hospitals received a grade of "A," 15 received a grade of "B," 20 received a "C," and three received a "D."

l. Linda Schwimmer, the President and CEO of the New Jersey Health Care Quality Institute, discussed the new payment models resulting from a new set of metrics for payments in "Scorecard 2.0" that will be tested in New Jersey and two other states.

m. The New Jersey Health Information Network, a collaboration of health care and information technology organizations in the State, is trying to create a complete statewide infrastructure for sharing health information data with patients, providers, insurers and employers. Key to the plan is helping physicians get access. While health systems have been able to invest in electronic medical records, independent physicians have found it more difficult. The Medical Society of New Jersey has partnered with an organization to provide physicians with a cost effective way to share electronic medical records through a subscription based service.

n. Uwe Reinhardt passed away on Tuesday. Professor Reinhardt was known to the Authority as the Chair of Governor Corzine's 2008 Commission on Rationalizing New Jersey's Health Care Resources, which became known as the Reinhardt Commission. He was known in the United States and internationally as one of the foremost health care economists in the world. For nearly 50 years, he was an economics professor at Princeton and an oft-published writer, sought after speaker and government advisor. He was brilliant, charming and witty. He made the topic of health care economics fascinating and entertaining. Mr. Hopkins and Steve Fillebrown had the good fortune of spending an afternoon with him to share with him the changes in State law and regulations that came out of the commission he chaired. Despite the fact we were there to give him information, we both felt that we had just studied with a master, learning so much from him in that short time.

In national health care news:

o. The Affordable Care Act enrollments are nearly 1.5 million in the first two weeks of open enrollment. This is a 47% increase over the first two weeks of open enrollment in 2016. This increase is surprising because premiums have increased, partially as a result of the Trump administration ending cost-sharing payments, and the 90% cut in federal funds for programs designed to inform and help people sign up for health care coverage on the exchanges.

p. CMS is proposing a rule to give states more flexibility in stabilizing the Affordable Care Act exchanges and interpreting the laws essential health benefits as a way to lower the cost of individual and small-group insurance plans. Under the proposal states would be free to relax the requirement that at least 80% of premium revenue be spent on members' medical care. It is unclear how much flexibility states will have in reducing the essential health benefits. Another article from Modern Healthcare points out premiums for Silver plans, the most popular class of plans on the ACA exchanges, will increase an average of 34% in 2018.

q. The most recent mark-up of the Senate tax reform bill proposes to end the ACA individual mandate, eliminating the added tax for those who do not have health insurance. The Congressional Budget Office estimates this will cause 13 million fewer people to have health insurance coverage by 2027 and premiums to increase 10% per year, but will save approximately $338 billion in federal money over ten years.

r. U.S. News & World Report sponsored a Healthcare of Tomorrow conference. Among the topics were telemedicine, consumerism and value-based care. Much of this trend is leading to care earlier and closer to the patients and away from the hospital.

s. Healthcare Dive observes that the hospital divestiture trend is heating up, noting that both Tenet and Community Health Systems are looking to sell eight and 30 U.S. hospitals, respectively. The reasons for divestiture are to reduce debt and eliminate poorly performing hospitals. In another Healthcare Dive article, a PricewaterhouseCoopers report is cited showing merger and acquisition activity in health care continuing at a strong pace.

t. IQVIA issued a report cited in Healthcare Dive that $7 billion in health care costs could be saved using digital health tools and apps. This based only on improvements in the areas of monitoring and treating diabetes prevention, diabetes care, asthma, cardiac rehabilitation and pulmonary rehabilitation. The savings could be up to $46 billion if the strategy were applied across all disease areas.

u. In 2009, as a part of the American Recovery and Reinvestment Act, the Health Information Technology for Economic and Clinical Health Act (HITECH Act) was passed. The HITECH Act created incentives for providers to implement electronic health records. The Authority oversaw the $11.4 grant received by the State to assist hospitals to create regional hubs for exchanging electronic health records. NJBiz held a panel this month to discuss whether the HITECH Act was successful. The results are mixed according to the panel. The economy was stimulated and adoption rate of electronic health records among physicians around the country has increased from 9.4% to 83.8% between 2008 and 2015. However, other panelists noted, many of the systems are not able to efficiently communicate with one another yet.

v. Forbes published a commentary by Robert Pearl M.D., former CEO of the Permanente Medical Group, entitled “Why Major Hospitals Are Losing Money By The Millions.” The author cites large capital investments over recent years and an increase in lower paying patients as well as more lucrative services being delivered outside the hospital setting for much of the recent decline in revenues at large hospitals.

w. In a shock to the municipal bond industry, the House Ways and Means Committee tax reform bill, initially released November 1, contained a provision to eliminate private activity bonds, like those, the Authority issues for 501(c) (3) hospitals and health care organizations, and prohibits advance refundings of all tax-exempt bonds. The bill, now passed through the committee and expected to be voted on by the full House before Thanksgiving, is known as the Tax Cut and Jobs Act. Scheduled to take effect January 1, 2018, the bill would also affect 501(c) (3) universities and other tax-exempt organizations as well as many economic development, housing and public/private partnership projects. The Authority’s trade association is actively trying to prevent these provisions of the Tax Cut and Jobs Act from taking effect. The Senate’s tax reform bill does not contain a provision ending private activity bonds but does eliminate advance refundings of all tax-exempt bonds. Several articles on the proposed elimination of private activity bonds and the effect it may have on hospitals, universities, housing and others are being provided today.

6. Authority News

    a. Missed last month, Taryn Brzdek celebrated her fifth anniversary at the Authority in October.

    b. Mr. Hopkins thanked the Members for all that they do throughout the year for the borrowers and the staff. He also thanked the Authority staff for their efforts.

As there was no further business, following a motion by Ms. Gibson and a second by Ms. Kralik, 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 NOVEMBER 16, 2017.

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Carole A. Conover, Assistant Secretary