Minutes of the New Jersey Health Care Facilities Financing Authority Meeting held on October 24, 2019 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 (Public Member) (Chairing); Robin Ford, Designee of the Commissioner of Health (on telephone at start, arrived at 10:20 a.m.); Greg Lovell, 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, Alpa Patel, Edwin Fuentes, Taryn Rommell, Ellen Lieber, Neetu "Nikki" Thukral, John Johnson, Nino McDonald and Chris Kniesler

*The following **representatives from the State and/or the public** were in attendance:*

George Loeser, Attorney General's Office; Lauren LaRusso, Governor's Authorities Unit; John Kelly, Wilentz, Goldman & Spitzer P.A.; Jerry Yeh, Morgan Stanley; Chuck Stafford, Ponder & Co.; Dr. Chung, President of Kwandong University, South Korea; and, via telephone, Richard Keenan, Chief Financial Officer, Valley Health;

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:10 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 23, 2019 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to *The Star-Ledger* and the *Courier Post* and to all newspapers with mailboxes at the Statehouse, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

1. APPROVAL OF MINUTES
September 26, 2019 Authority Meeting

Minutes for the Authority's September 26, 2019 regular meeting were distributed for review and approval prior to the meeting. Dr. Kazmir asked for a motion to approve the minutes. Ms. Rodriguez made the motion. Mr. Lovell seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions or comments. Dr. Kazmir then called for a vote. All Members voted in the affirmative and the minutes were approved.

2. TEFRA HEARING AND CONTINGENT BOND SALE
Valley Health System

Dr. Kazmir announced that the following portion of the meeting was a public hearing in connection with the Valley Health System transaction. He stated that 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 asked Edwin Fuentes to provide the Members with the details of the transaction.

Mr. Fuentes began by telling the Members that Rich Keenan, Senior Vice President of Finance and Chief Financial Officer of Valley Health System was participating in the meeting by telephone.

Mr. Fuentes informed the Members that Valley Hospital Inc. is a subordinate corporation of Valley Health System Inc. Valley Hospital is a 431-bed, not-for-profit acute care hospital located in Ridgewood NJ. It serves more than 440,000 people in 32 towns in Bergen County and adjoining communities. It has over 1,100 physicians, 3,700 employees, and 3,000 volunteers. Valley prides itself on its medical and technical excellence in the field of cardiology services, including a full range of diagnostic and interventional cardiac services, including cardiac surgery, coronary angioplasty, electrophysiology studies and structural heart procedures. It also has a neonatal intensive care unit, an embryology laboratory, a comprehensive breast center and a pediatric special care unit.

Mr. Fuentes told the Members that they were being asked to consider a contingent sale of bonds on behalf of Valley Health System, in an aggregate principal amount not to exceed $425,000,000. The proceeds of the Series 2019 Bonds, together with other funds from Valley, will be used to: fund the construction of a 372-bed, approximately 910,000 square foot replacement hospital to be located in Paramus, NJ; fund a Debt Service Reserve, if necessary; fund capitalized interest, if necessary; and pay the related costs of issuance.

Mr. Fuentes advised the Members that the documents provided reflect recent policy changes this Board approved during its September 2019 meeting. One of the policy changes includes a covenant for the Borrower to hold quarterly investor calls should their Days Cash on Hand either fall within 10 days of the requirement, has a 15% drop over any quarter, or has a 30% drop over any four quarters. Since the Borrower is contributing approximately $400 million of its own cash towards the Project, and drawing upon that cash could trigger the aforementioned covenant, the Borrower has requested not to include the amount of the equity contribution in their Days Cash on Hand calculation for the duration of the project. Mr. Fuentes stated that the Authority staff is comfortable with this request because it takes a more conservative approach to the financial ratio calculation.

According to Mr. Fuentes, Valley Health currently has no outstanding debt through this Authority. They are currently rated A+ stable by Fitch, and are expected to receive ratings in a similar category from S&P Global Ratings.

Mr. Fuentes concluded by saying that John Kelly of Wilentz, Goldman & Spitzer P.A., Bond Counsel, would present the Bond Resolution pertaining to this transaction. Following his presentation, he, Mr. Kelly or Mr. Keenan would answer any issues or questions the members may have.

Mr. Kelly presented the following bond resolution:

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 2019 Bonds in an aggregate principal amount not in excess of $425,000,000, as set forth in the Trust Agreement pursuant to which the Series 2019 Bonds will be issued. The Series 2019 Bonds will bear interest at the rate or rates per annum set forth in the Trust Agreement, provided, that with respect to any Series 2019 Bonds issued as fixed interest rate bonds to maturity, the true interest cost of such Series 2019 Bonds shall not exceed four and one-half percent (4.50%) per annum, with respect to any Series 2019 Bonds issued as multi-modal bonds, from their date of initial issuance and delivery to, but not including, their maturity date or the earlier date, if any, of their conversion to another interest rate mode under the Trust Agreement, the true interest cost of such Series 2019 Bonds shall not exceed four and one-half percent (4.50%) per annum, and from and after the date, if any, of their conversion to another interest rate mode, such Series 2019 Bonds shall bear interest at the rate as shall be determined in accordance with the Trust Agreement, provided, however, that in no event shall the interest rate on such Series 2019 Bonds exceed the Maximum Rate (as defined in the Trust Agreement). The Series 2019 Bonds will have a final maturity date of no later than July 1, 2050 and be subject to redemption prior to maturity as set forth in the Trust Agreement, provided, that the redemption price cannot be greater than 105%.

The Series 2019 Bonds will be issued by the Authority under and pursuant to a Trust Agreement by and between the Authority and The Bank of New York Mellon, as Bond Trustee. The Series 2019 Bonds will be secured by payments to be made by The Valley Hospital, under its Loan Agreement with the Authority, as evidenced and secured by a promissory note of The Valley Hospital, and amounts on deposit in certain funds held by the Bond Trustee. The promissory note will be issued under a new Master Trust Indenture by and among The Valley Hospital, on behalf of itself and any other members of the Obligated Group, and The Bank of New York Mellon, as Master Trustee. The promissory note will be secured by a gross revenue pledge of the Obligated Group under the MTI.

Additionally, the Bond Resolution approves the form of, and authorizes the execution of, the Series 2019 Bonds, the Loan Agreement, the Trust Agreement, a Preliminary Official Statement and final Official Statement relating to the Series 2019 Bonds, with the caveat that no posting, mailing or other distribution of the Preliminary Official Statement shall occur until such time as the Underwriters have informed the Authority that the Underwriters and their counsel have satisfactorily completed their “due diligence” investigation of the Borrower and the information relating to the Borrower set forth in the Preliminary Official Statement. Further, the Bond Resolution appoints The Bank of New York Mellon, as Bond

Trustee, Bond Registrar and Paying Agent for the 2019 Bonds. The Bond Resolution also approves the form of and authorizes the execution of the Bond Purchase Contract with Morgan Stanley & Co. LLC, the senior managing Underwriter, at an underwriting discount (including counsel fees) not in excess of $5.00 per $1,000 principal amount of the Series 2019 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 issuance of the Series 2019 Bonds, and the financing of the Project.

Dr. Kazmir asked for a motion to approve a contingent bond sale on behalf of Valley Health System, Inc. Mr. Lovell made the motion. Ms. Rodriguez seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. TT-28

NOW, THERFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled **"A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING BONDS, VALLEY HEALTH SYSTEM OBLIGATED GROUP ISSUE, SERIES 2019."**

(attached)

Dr. Kazmir congratulated Valley Health System and asked if they had anything to add.

Mr. Keenan thanked the Authority Members and staff for their cooperation and support.

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 Valley Health System.

3. AUDIT COMMITTEE REPORT
Award Auditing contract to PKF O'Connor Davies

Dr. Kazmir asked Robin Ford to give the Audit Committee's recommendation for awarding the Authority's auditing contract.

Ms. Ford reported that the Audit Committee met on October 11, 2019 at 12:00 pm via conference call to consider the Evaluation Committee's ranking report on selecting an auditing firm for the Authority.

The Audit Committee concurred with the Evaluation Committees analysis and, therefore, the Finance Committee is recommending to Members that PKF O'Connor Davies be hired for a three-year contract as the Authority's Auditor, with the possibility for two (2) one-year extensions.

Ms. Ford then made the motion to award the Authority's auditing contract to PKF O'Connor Davies.

Dr. Kazmir noted that Ms. Ford had made the motion to approve the resolution appointing PKF O'Connor Davies as the Authority's auditor for a three-year contract with an option for two additional one-year extensions. Ms. Rodriguez 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 resolution was approved.

AB RESOLUTION NO. TT-29

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves the awarding of the Authority's auditing contract to PKF O'Connor Davies for three (3) years, with the option of two (2) one-year extensions.

Dr. Kazmir thanked Ron Marmelstein, Alpa Patel and the staff for their efforts of the RFP.

4. FINANCE COMMITTEE REPORT
Approve 2020 Authority Budget

Dr. Kazmir called on Suzette Rodriguez to provide the Finance Committee's recommendation for the Authority's 2020 Budget.

Ms. Rodriguez reported that Finance Committee met by conference call on October 8, 2019 to discuss the Authority's proposed 2020 budget. She said that, at the meeting, the Finance Committee voted to recommend that the Members approve this budget.

Ms. Rodriguez then gave a brief summary of the budget. According to Ms. Rodriguez, the proposed 2020 cash budget includes an estimated income of $4,112,954, which is a 2.58% decrease. Estimated expenses are budgeted at $3,840,110, which is an increase of 1.41%, including carryovers. Net Income is expected to be $281,534, which includes carryovers from 2019.

Ms. Rodriguez then turned the meeting over to Mark Hopkins for a more detailed presentation of the 2020 Budget.

Mr. Hopkins presented the following budget data to the Members:

- Total Revenue is projected to decrease 2.58% to $4,112,954
- Expenses are expected to decrease by 2.30% to $3,682,420 not including $149,000 of 2019 budgeted items being carried over
- Including carry overs, expenses are budgeted at $3,831,420, or a 1.41% increase
- Excess of revenue over expenses is projected to be $281,534, including carryovers

Among the other revenue projections highlighted were:

- Annual Fees to decrease by 0.93% or $35,940
- Initial Fees/Per Series/Master Lease Fees to decrease by 60.45% or $106,025
- Interest Income to increase by $33,190 or 70.24%
- Other Operating income to decrease by $273 or 0.25%

Among the expenditures highlighted were:

- Salaries are budgeted to increase by 2% or $32,050 and Fringe Benefits are budgeted to decrease %56,191 or 6.01%
- Temporary Help to increase by 50.00% or $4,900
- Post-Retirement Health Benefit Trust payment is expected to increase by $80,652, or 101.64%
- Rent and Electric to remain unchanged at $379,482
- Insurance costs are expected to increase by 5.00% to $122,333
- Hardware/Hardware Maintenance to increase by $6,796 or 8.38%
- Electronic Data Processing/Software/ Software Maintenance & Contract Services to decrease $166,386 or 64.52%, but $100,000 will be carried over to 2020 for accounting software. This line item in the 2020 budget also includes $15,600 for the purchase of the Office 2016 program for 30 computers, which need to be replaced due to upgrades to the Windows 10 operating system.
- Actuarial Services to increase by $35,000 or 100% (this expenditure occurs every other year.)
- Meetings, Seminars & Educational Courses to decreases $3,625 or 12.38%
- Special Projects to increase by $100,000 or 400.00%, for a financial advisor to assess the efficacy of Authority's tax-exempt financings compared to taxable financings.
- Special Tax Counsel to the Authority will decrease by $15,000 or 200% due to a carry over $15,000 from 2019
- Services of Attorney General's Office to remain unchanged at $85,000
- Annual Audit the new contract is projected to increase by $14,000, or 50.00%

- Vehicle expenses decrease $8,000, but $30,000 will be carried over for a replacement pool car
- Telephone expenses for 2020 are budgeted at $7,100, which is s decrease of $1,200, or 14.46%
- Payroll Service will decrease by $2,800, or 22.61%
- Postage expenses will increase $160, or 1.92%
- Printing expenses will decrease $1,575, or 8.06%
- Advertising expenses will increase by $500, or 6.28%
- New Financing Products is unchanged at $25,000
- Office Equipment/Furniture is unchanged at $3,000
- Archival Expenses to remain unchanged at $3,000
- Investment Services remains unchanged at $3,000
- Dues & Subscriptions will decrease by $1,174, or 6.95%

Ms. Rodriguez thanked Mr. Hopkins for his presentation and asked if there were any questions. There were no questions.

Ms. Rodriguez applauded the Authority staff's due diligence to keep costs to a minimum as well as staff's ability to produce accurate budgets year after year and thanked everyone who contributed in creating the 2020 budget.

Ms. Rodriguez then made the motion to approve the Authority's 2020 Budget.

Dr. Kazmir noted that Ms. Rodriguez had made the motion to adopt the resolution approve the Authority's 2020 budget. Ms. Ford 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 resolution was approved.

AB RESOLUTION NO. TT-30

> **NOW, THERFORE, BE IT RESOLVED**, that the Authority hereby adopts the proposed 2020 Authority Budget as recommended by the Finance Committee.

Dr. Kazmir congratulated the Authority staff, under Mr. Hopkins leadership for consistently producing an accurate and prudent budget year after year.

5. APPROVAL OF EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Ms. Ford made the motion to approve the expenses. Mr. Lovell seconded. Ms. Ford asked if there were any questions on the motion. There were no questions. Dr. Kazmir then called for a vote. All Members voted in the affirmative and the resolution was approved to approve the bills and to authorize their payment.

AB RESOLUTION NO. TT-31

> **WHEREAS,** the Members of the Authority have reviewed the memoranda dated October 16, 2019 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $35,608.84 and $23,685.27 respectively, and have found such expenses to be appropriate;
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> **NOW, THEREFORE, BE IT RESOLVED,** that the Members of the Authority hereby approve all expenses as submitted, and authorize the execution of checks representing the payment thereof.

6. STAFF REPORTS

Dr. Kazmir thanked staff for the Project Development Summary, Cash Reconciliation Report, Third Quarter Budget Report and Legislative Update.

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

Mr. Hopkins began by introducing Dr. Kazmir's guest, Dr. Chun, the President of Kyungdong University in South Korea. Dr. Kazmir noted that he has no business interest in the university, but had the opportunity to visit the school and invited Dr. Chun to come to America.

Mr. Hopkins then provided the following Executive Director's report:

1. Mr. Hopkins reminded the Authority Members that in accordance with Executive Order #41 (Codey 2005) they must complete by November 1 online ethics training from the State Ethics Commission. The training is offered at www.nj.gov/ethics/training. Go to the link "Online Training Modules" and choose "Special State Officer Training Module." Once completed Members will need to enter their name and select NJHCFFA from the pull down menu of agencies. You will receive an e-mail confirming your completion of the training. He requested that the Members forward the confirmation to him so that he may report it to the Authorities Unit.

2. Hospital & Other News

    a. On Tuesday, RWJBarnabas Health and CarePoint Health announced they had entered into a non-binding letter of intent for RWJBarnabas to acquire two of CarePoint's hospitals: Christ Hospital in Jersey City and Hoboken University Medical Center. The letter of intent will allow the two entities to perform due diligence with the goal of reaching a definitive agreement by the end of this year. Any transfer would require State and federal regulatory review and approvals. The agreement does not include CarePoint's third hospital, Bayonne Medical Center, for which CarePoint said it would be seeking another buyer. The Hoboken County Executive, the Bayonne Mayor and representatives of Bayonne Medical Center employees have raised concerns and expressed their determination to keep Bayonne Medical Center open.

    b. On October 10, RWJBarnabas Health and Trinitas Regional Medical Center also signed a letter of intent for RWJBarnabas to acquire Trinitas through a sole member substitution, with RWJBarnabas becoming Trinitas's corporate parent. Trinitas will remain a Catholic hospital, the Sisters of Charity of Saint Elizabeth will continue to serve as its Catholic sponsor and the Trinitas board will continue to oversee its day-to-day operations. A definitive agreement is expected by the end of the year. Any transfer would require State and federal regulatory review and approvals.

    c. On October 15, Hackensack Meridian Health and Englewood Health announced that they had entered into a definitive agreement to merge. Hackensack Meridian Health has agreed to invest $400 million in Englewood Health. The merger will be subject to State and federal regulatory review before it can be consummated.

    d. Additional information is also being provided on Hackensack Meridian Health's clinical and strategic partnership with St. Joseph's Health announced on September 25, including Hackensack Meridian Health's plan to invest $60 million to improve clinical operations at St. Joseph's.

    e. A press report is questioning why East Orange General Hospital has not yet applied for a grant appropriated by the State and has yet to identify a strategic partner months after both were announced. Ms. Ford confirmed that the grant application had been submitted.

    f. University Hospital announced on October 16 that it had successfully reduced emergency department opioid prescriptions for discharged patients by nearly 70% since 2016. University Hospital developed the "Stewardship to Transform Opioid Use Disorder while Medicating for Pain" or S.T.O.M.P.

and has utilized the program over the last two years to increase the use of non-opioid pain relief when clinically appropriate.

g. St. Luke's Warren Hospital, part of St. Luke's University Health Network, announced that it has become a Tier 1 provider under Horizon Blue Cross Blue Shield's OMNIA product and is also now a participant in Horizon Medicare Blue Advantage HMO Plan.

h. Virtua Health has launched new branding and a new logo, which were included with the articles.

i. NJBiz honored Chief Financial Officers in seven categories, which included John Doll, Executive Vice President and Chief Financial Officer of RWJBarnabas Health as top CFO of a health care organization. A recent interview of Mr. Doll by Becker's Hospital Review has also been included in today's articles.

j. It has been reported by The Star Ledger, jointly with ProPublica, that Newark Beth Israel, an RWJBarnabas Health hospital, allegedly kept a man who had gone into a vegetative state after heart transplant surgery at Newark Beth Israel on life support for months after his surgery in order to prevent the hospital's transplant program from receiving a negative mortality rating. Federal and State investigations have been initiated.

k. Becker's Hospital review reported the hospitals with the highest number of emergency department visits in the country in 2018. St. Joseph's Regional Medical Center in Paterson ranked 3rd with 167,500 visits.

In Ratings Actions:

l. Fitch Ratings has affirmed its "AA-" rating on about $368 million in bonds issued by the Authority on behalf of Virtua Health and has assigned a "AA-" Issuer Default Rating on Virtua Health itself. Both ratings have an outlook of "Stable."

m. Fitch Ratings has assigned an "A+" rating to the $342.5 million of bonds expected to be issued by the Authority on behalf of Valley Health System and has assigned an "A+" Issuer Default Rating to Valley Health System itself. The rating outlook is "Stable."

n. Moody's Investors Service has assigned an "A1" rating on approximately $230 million of tax-exempt bonds to be issued by the Authority on behalf of RWJBarnabas Health and $203 million of taxable bonds to be issued by RWJBarnabas directly. The rating outlook remains "Positive."

o. S&P Global Ratings has assigned a “AA-” rating on approximately $230 million of tax-exempt bonds to be issued by the Authority on behalf of RWJBarnabas Health and $203 million of taxable bonds to be issued by RWJBarnabas directly. The rating outlook is “Stable.”

p. Several reports from the ratings agencies are also being provided with the articles, including Fitch Ratings’: “Investment Portfolios Key for Not-for-Profit Hospital Credit” and “Size and Scale Factor into Hospital Ratings”; as well as Moody’s Investors Service’s: “U.S. Public Health Insurance Proposals Would Cut Into Industry Margins, with Single-Payer Posing the Deepest Threat.”

In State Health Care News:

q. Healthgrades released its 2020 annual report to the nation listing top hospitals in several specialty areas. An article is included today with the top hospitals in New Jersey with numerous New Jersey hospitals considered among America’s 100 Best Hospitals for Specialty Care.

r. On October 7, the New Jersey Department of Banking and Insurance released the rates for health insurance plans in the individual market and the small employer market effective January 1, 2020. Rates will increase an average of 8.7% over all carriers for the individual market and 1.1% for the small employer market.

s. Collaborative Health Systems, part of WellCare Health Plans, announced that the 30 providers in the Accountable Care Coalition of New Jersey, a Medicare Accountable Care Organization, generated $4.6 million in savings in 2018 for the Medicare Shared Savings Program. This was ACC of NJ’s first year in the program. The savings are divided equally between Medicare and the providers. Providers who reported also achieved 100% overall quality scores.

t. The New Jersey Primary Care Association, who represents the 23 Federal Qualified Health Clinics in New Jersey, has partnered with LabCorp, a life sciences company, and HealthEC, a provider of population health management solutions, to develop a database and information exchange platform.

In National Health Care News:

u. Health care insurance premiums for the benchmark health plans under the Affordable Care Act on the federal government’s Heathcare.gov website will decline an average of 4% next year from $406 to $388 before subsidies (about 87% of enrollees receive subsidies with 66% experiencing costs of less than $75 per month). This is the second straight year the benchmark premium has declined.

v. The University of Illinois in Chicago's Government Finance Research Center funded a study on the impact the Affordable Care Act had on hospital borrowing costs. The study showed a 39 basis point drop in short and medium-term bond yields since 2012, translating into about $3 million savings on the average bond issue or $1.74 billion across the economy. Longer-term rates showed little improvement, possibly due to the threat of repeal. States that adopted Medicaid expansion saw an additional 17 basis point drop in yields, saving an additional $320 million in those states.

w. The Centers for Medicare and Medicaid Services (CMS) has achieved $739 million in savings through the Medicare Shared Savings Program in 2018, which utilizes Accountable Care Organizations designed to reward preventative care with providers sharing in the savings.

x. Avalere research found that 59% of health care payers have used some form of outcomes-based payment contracts. In 2017, only 24% of health plans had outcomes-based contracts. Almost 60% of the health plans that already had outcomes-based contracts reported savings and clinical improvements.

y. CMS has penalized 2,583 hospitals approximately $563 million for high readmission rates within 30 days of admissions for Medicare patients admitted for six common conditions or treatments. That is 83% of the hospitals evaluated. Fifty-six hospitals will be hit with the maximum penalty, which is a 3% reduction in Medicare reimbursement for every Medicare patient in fiscal year 2020. The average penalty will be a 0.71% reduction in Medicare payments.

z. The American Hospital Association and the Federation of American Hospitals commissioned a study by Dobson DaVanzo & Associates, which concluded that reductions in federal payments to hospitals from the cumulative impact of a series of legislative and regulatory actions would cost hospitals $252.6 billion from 2010 through 2029.

aa. A study from Humana and the University of Pittsburgh School of Medicine published in the Journal of the American Medical Association estimates between $760 billion and $935 billion of health care spending is waste: (i) $265.6 billion is from administrative complexity due to billing and coding and physician time spent reporting on quality measures; (ii) $230.7 to $240.4 billion is pricing failures; (iii) $102.4 to $165.7 billion is failure of care delivery; (iv) $75.7 to 101.2 billion is overtreatment or low-value care; (v) $58.5 to $83.9 billion is fraud and abuse; and (vi) $27.2 to $78.2 billion is failure to properly coordinate care resulting in unnecessary admissions and readmissions or avoidable complications.

bb. CMS has published its final rule for calculating $4 billion in state Medicaid disproportionate-share hospital cuts for fiscal 2020 and $8 billion in cuts for each fiscal year 2021 through 2025. The cuts were supposed to go into effect after the implementation of the Affordable Care Act, but have been delayed by lobbying from the hospital industry until now.

cc. Other articles on national health care news include:

    i. How hospitals are doing posting the list of their prices online after the rule was put into effect one year ago;
    ii. How hospital executives are preparing for CMS's new rule that they have to disclose prices they negotiate with insurers;
    iii. Hospital systems are creating sleek technology support desks showcasing digital health tools staffed with technology specialists to teach patients about them;
    iv. A Pro-Market - University of Chicago article examining the issues being created by the ongoing mergers of hospitals and concerns about whether the increased concentration of systems is actually resulting in promised savings and better services; and
    v. A Navigant analysis showed that 103 large health systems, which own 44% of U.S. hospitals, had an average operating margin of 2.92% in 2018, up 13% from 2.58 in 2017. From 2015 through 2017, the average health system-operating margin declined 38%.

In National Municipal Bond Tax and Regulatory News:

dd. A recent article in *The Bond Buyer* discusses how investors looking for yield are increasingly considering bonds maturing in approximately 100 years, known as century bonds. It mentions four (4) century bonds issued this year, including one issued by Rutgers University. Yields on the recent century bonds, which are taxable because tax-exempt bonds maturities are limited to 40 years, ranged from 3.20% for MIT bonds maturing in 2114 to 4.12% for The Ohio University bonds maturing in 2114. Rutgers bonds maturing in 2119 sold at a yield of 3.87%.

ee. Bloomberg reports on the increase in the issuance of taxable municipal bonds due to opportunities to refund existing bonds while interest rates are low combined with the inability to advance refund tax-exempt bonds with tax-exempt bonds.

ff. The Financial Accounting Standards Board has issued a proposal that would classify variable rate demand obligations as a current liability. Currently, variable rate demand obligations with a stated maturity one year past the balance sheet date are classified as noncurrent liabilities. The proposal would even include variable rate demand obligations that have the backing of a letter of credit. This proposed change would have a large impact on health care borrowers, who frequently use variable rate debt. Several trade organizations have already indicated that they will be commenting on the proposal and we have asked NAHEFFA to consider preparing a comment.

Ms. Patel took the opportunity to thank Jessica Lucas, Ellen Lieber, Cindy Kline and Ron Marmelstein for their help with the auditing RFP.

As there was no further business, following a motion by Mr. Lovell and a second by Ms. Rodriguez, the Members voted unanimously to adjourn the meeting at 11:03 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 ON OCTOBER 24, 2019.

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Carole A. Conover, Assistant Secretary