

New Jersey Health Care Facilities Financing Authority Annual Report 2018



Financing the future of New Jersey's health care.

New Jersey Health Care Facilities Financing Authority Mission Statement

Created by an act of the New Jersey Legislature in 1972, the New Jersey Health Care Facilities Financing Authority's mission is:

“To ensure that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State.”

The Authority's mission was expanded in 2000 to include:

“... provid[ing] assistance in the restructuring of the health care system of the State.”

The Authority fulfills its statutory purpose primarily by issuing tax-exempt and taxable bonds for health care organizations throughout the State, including hospitals, skilled nursing facilities, assisted living facilities, continuing care retirement communities, visiting nurse associations, hospices and blood banks. The Authority also collects and analyzes data on health care organizations and funds studies on the provision of health care services.



New Jersey Health Care Facilities Financing Authority

2018 Annual Report



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Message from the Chair

Dr. Shereef Elnahal
Commissioner of the Department of Health



Governor Murphy's FY2020 Budget Maintains Support For Hospitals

More than \$700 million in hospital funding is included in the budget Governor Phil Murphy has proposed, continuing his commitment to support hospitals for the care they provide to the uninsured and for the training they provide to the next generation of physicians.

Charity Care will remain at \$262 million, consistent with the current funding level. Likewise, Graduate Medical Education (GME) funding will remain at \$218 million and funding for a new GME Supplemental program will be at \$24 million in FY2020. Another \$167 million was proposed for the Delivery System Reform Incentive Program.

The Charity Care funding will continue to be based primarily on the amount of documented charity care provided by hospitals, with the largest percentage going to those hospitals that have the highest relative charity care percentage. GME and GME Supplemental will also continue to be based on formulas that have been used in previous years.

However, to continue to encourage improvements in health care access and quality for all of New Jersey residents, including those who are only able to access care through the Charity Care program, the State will be implementing some new requirements of hospitals that are eligible for charity care subsidies.

In FY 2020, one-twelfth of each participating hospital's Charity Care subsidy will be contingent on reporting certain key indicators, such as the number of charity care patients at each hospital who are connected to preventive and primary care upon discharge. This is payment for reporting, not performance.

Additionally, to strengthen the electronic exchange of information between all health care providers in the State, all hospitals that receive a Charity Care subsidy will also be required to connect with the New Jersey Health Information Network, the NJHIN, a shared services platform that provides the infrastructure for electronic exchange of patient health information among healthcare providers, health information exchanges and state health data sources. This network connects regional health information exchanges and independent medical facilities, which are currently sharing data among local healthcare providers including hospitals, doctor's offices, Federally Qualified Health Centers and laboratories.

Currently, six health information exchanges, 6,000 physicians, 91 long-term care providers, three Federally Qualified Health Centers and 64 hospitals have joined the HIN. Expanding this network has been a key priority since I began leading the Department last year. In January 2018 we had two hospitals that had joined the network. As I visited hospitals around the state I explained the importance of joining this network and I'm happy to say as of this January, we have expanded the number of participating hospitals to 64.

The NJHIN will facilitate data exchange, coordination of patient care and interoperability among all providers — which will improve health outcomes for residents.

Message from the Executive Director

After a couple of blockbuster years, it is only logical that the Authority would experience an off-year in terms of financings. Considering the volume of bonds sold in our two previous years and the very volatile year in the stock market, it is not really surprising. The economic uncertainties caused several potential borrowers to hesitate and pull back to rethink their options. Additionally, there was a hiatus in hospital and health system mergers. It seems like everyone needed a break!

At the Authority, however, we took advantage of the respite. We used the lull in the action to analyze and amend our lending requirements and policies. Our objective was to streamline our financing process so that our borrowers can get to market more quickly. I believe that it is critical that the Authority be responsive to the needs of our borrowers and our obligation to ensure that our policies and procedures comply with the changing market conditions and current borrowing practices.



Mark E. Hopkins

To that end, the Authority is planning to conduct a Policy Roundtable in mid-2019. Hospital executives and bondholder analysts will be invited to meet with the Authority's senior staff members to discuss how we can amend our requirements for bond issuance to become more competitive in the municipal bond market and better serve potential borrowers. I hope this forum will be well attended and result in creative concepts that allow us to be more efficient and proactive as we move forward. The Authority has always listened to its borrowers and other stakeholders, but I want to take it to a new level. We all have the shared interest in wanting to provide the best financing for New Jersey's public health system.

During 2018, we experienced interest in some of our other financial products. We were approached for a loan under the Capital Asset Loan Program for the construction of a new in-patient substance abuse rehabilitation facility. Similarly, the Authority approved the application for a loan to a Federally Qualified Health Center. The loans for both transactions should be finalized in the first half of 2019.

New Jersey takes the goal of achieving population health very seriously. Former Commissioner of Health Cathleen Bennett made it her top priority. Now, under the leadership of Dr. Shereef Elnahal, the Department of Health has expanded its efforts to achieve this goal. Among his initiatives was launching the Healthy New Jersey 2020 program to identify and prioritize chronic health conditions in the state as well as collect data and promote healthier lifestyles. Healthy New Jersey 2020 also has an interactive, on-line dashboard so that anyone can track the progress being made.

New Jersey continues to be a national leader for innovations in the health care industry. We have been at the forefront in forming strategic partnerships. Whether the collaborations involve the merging of health systems for economies of scale, sharing of talent and resources or contracting with third-party experts, New Jersey always seems to be ahead of the national trends. As a result, New Jersey is home to some of the best and brightest in the health care professions and we want to keep it that way.

The Authority's core mission from its creation in 1972 remains unchanged. The purpose of the Authority is: "To ensure that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State." And, in this era of population health, I believe our role to be a critical component in achieving that goal. If any New Jersey health care facility needs funds for new construction, renovations, state-of-the-art equipment or if they just need to refinance their debt, the Authority is here to help.

In its own way, 2018 was a very important and productive year for the Authority. We had the rare opportunity to conduct an introspective examination which, with the help of our borrowers, will set a new course for financing a healthy future for New Jersey. We expect to return to our usual busy financing docket in 2019.

2018 NJHCFFA Governing Board

Ex-officio Members

Shereef Elnahal M.D., M.B.A. Chairman,

(serves during his tenure as Commissioner of the Department of Health)



Dr. Shereef Elnahal was confirmed as the Commissioner of the New Jersey Department of Health on March 26, 2018. Dr. Elnahal formerly served as the Assistant Deputy Under Secretary for Health for Quality, Safety, and Value at the US Department of Veterans Affairs. He was initially appointed to VA as a White House Fellow in 2015, and in this capacity he founded the Diffusion of Excellence Initiative, the major initiative meeting the Under Secretary's priority of establishing consistency in clinical and administrative best practices. He has authored many publications on health care quality, operations management, and patient safety. Dr. Elnahal co-developed a published methodology that doubled clinic efficiency in the Johns Hopkins Pancreatic Multidisciplinary Clinic, cutting patient wait times by half. As an operations consultant for Wright-Patterson Air Force Base and Pittsburgh VA hospitals, he expanded on this work to improve care access for veterans and active duty service members. He was a Fellow in the Armstrong Institute for Patient Safety and Quality, and served as Chair of the House Staff Patient Safety and Quality Council at Hopkins.

Dr. Shereef served on advisory boards for two firms focused on patient education and clinical operations.

He also co-founded the Baltimore chapter of The Triple Helix, a 501(c)(3) non-profit that publishes an internationally-circulated journal on science in society. His civic contributions earned him the 2015 National Quality Scholar Award from the American College of Medical Quality. He received a dual-degree M.D. and M.B.A. with Distinction from Harvard University. He also graduated summa cum laude with a B.A. in biophysics from Johns Hopkins University.

Carole Johnson, Member

(serves during her tenure as Commissioner of the Department of Human Services)



Carole Johnson was nominated to be Commissioner for the Department of Human Services by Governor-Elect Phil Murphy on January 2, 2018 and named Acting Commissioner on January 17, 2018. Ms. Johnson was confirmed by the Senate on March 26, 2018. She previously served in the Obama White House as senior health policy advisor and member of the Domestic Policy Council health team. There, she worked to increase health insurance coverage for millions of Americans, improve services and choices for individuals with disabilities, expand supports for older Americans, increase coverage of mental health and substance use disorder treatment, and improve health and economic security for all Americans. The Commissioner also has served on Capitol Hill working for the U.S. Senate Special Committee on Aging and for members of the U.S. Senate Finance Committee and U.S. House of Representatives Ways and Means Committee. In addition, she managed health care workforce policy issues for the U.S. Department of Health and Human Services Health Resources and Services Administration. Johnson previously was policy director for the Alliance of Community Health Plans, an association of nonprofit health plans; program officer with the Pew

Charitable Trusts Health and Human Services Program; health policy researcher at the George Washington University; and, senior government relations manager with the American Heart Association. Ms. Johnson received a Master's degree in Government from the University of Virginia.

Marlene Caride, Member

(serves during her tenure as Commissioner of the Department of Banking and Insurance)



Marlene Caride was nominated by Governor Murphy on January 22, 2018 and confirmed by the Senate on June 6, 2018. Ms. Caride served in the New Jersey General Assembly since 2012, where she represented the 36th Legislative District. Caride served in the Assembly on the Commerce and Economic Development Committee (as Vice-Chair), the Financial Institutions and Insurance Committee, the Transportation and Independent Authorities Committee, the New Jersey Legislative Select Committee on Investigation and the Intergovernmental Relations Commission. Ms. Caride earned a bachelor's degree in Education from Fairleigh Dickinson University and was awarded a J.D. degree from the California Western School of Law. She is an attorney who is a partner in private practice with the firm of Gonzalez & Caride. She has served as prosecutor for the Board of Alcoholic Beverage Control of West New York from 2009 to 2012, as an attorney of the town's parking authority from 1995 to 2009, and has been the municipal prosecutor of the Borough of Ridgely since 2011. In her hometown of Ridgely, she was a library alternate trustee from 2005-2006 and was an alternate member of the board of health from 2005 to 2007.

Designees of the Ex-officio Members 2018



Robin Ford serves as the
Designee for the
Commissioner of the
Department of Health



Greg Lovell serves as the
Designee for the
Commissioner of the
Department of Human Services



Maryann Kralik serves as the
Designee for the
Commissioner of the
Department of Banking
and Insurance

The Authority is governed by a seven-member board, three of whom are ex-officio and four members of the public who are nominated by the Governor with the consent of the Senate. The public members serve staggered terms. The Authority currently has two public member vacancies.

New Policy for Bond Approval

Only Two Meetings Required for Approval:

The New Jersey Health Care Facilities Financing Authority (the “Authority”) has had a practice of requiring a three (3) meeting process for issuing new money bonds by a negotiated sale: an initial meeting for considering the negotiated sale request; a second meeting to receive an informational presentation about the project and financial projections; and a third meeting to consider a contingent bond sale. At the request of borrowers, the Authority reviewed the implications of reducing the three (3) meeting process down to two (2) meetings: one for a negotiated sale request and the second for considering the contingent bond sale.

The Authority believes reducing the process to two (2) meetings will not in any significant way reduce the opportunity for staff and Authority Members to vet the project and the financing. It will also provide an additional benefit to the Authority’s borrowers by shortening their time to market, thereby reducing the chance of significant market fluctuation. In order to ensure ample opportunity to vet the project and the financing, the Authority will expect the borrower to make its informational presentation, including the project description and financial projections, at the first meeting, when a negotiated sale presentation takes place, if requested. However, because circumstances for financings vary, if the informational presentation cannot be made at the meeting with the negotiated sale request, the Authority, may allow the informational presentation to be made at the meeting when the contingent bond sale is considered.



New Policy for Non-Hospital Startups/Single Purpose Entities

Non-Hospital, Sole Purpose Entities will be required to provide an examination of Management's Financial Forecast:

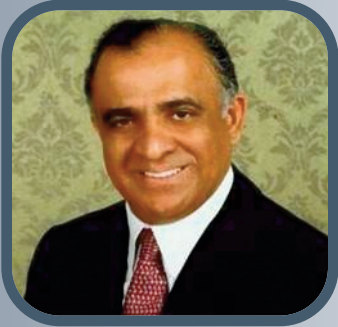
Prior to June 28, 2007, the New Jersey Health Care Facilities Financing Authority (“the Authority”) had a policy of requiring an independently prepared financial feasibility study for projects involving non-investment grade borrowers. Since that time, financial projections prepared by the borrower’s management or consultant were internally reviewed by Authority staff and presented to the Authority Members. As virtually all transactions since the policy change involved acute care hospitals and straight-forward structures, staff is confident in assessing the reasonableness of the underlying assumptions and the related pro forma financial statements for established borrowers.

The Authority has recently had the opportunity to provide financing for projects other than acute care hospitals with complex ownership and capital structures. Many of these may be start-ups undertaken as single-purpose or special purpose entities (SPE). Due to these factors, staff recommended and the Authority adopted a policy requiring an examination of borrower’s management financial forecast by an independent certified public accountant for all projects involving a non-hospital start-up single purpose entity. The accountant would be hired by the borrower to perform the examination which would be included in any offering document along with the accountant’s opinion. The requirement would not be waived for private placements even when the borrower has obtained a commitment from an investor indicating its willingness to purchase the bonds without such an examination and that investor is also willing to sign an approved investor letter.

A number of other Authority financing policies are being discussed in 2019 and the Authority staff will be seeking input from hospital executives.



NJHCFFA Public Members 2018



Munir Kazmir, MD - Vice Chair
(Term expires 4/30/2019)

Dr. Kazmir is the CEO of Quality Home Care Providers and founder of Direct Meds Pharmacies, Inc. and Easy Carry Inc. He is also the founder of American School Systems which brings American values to Third World and Middle Eastern children. Dr. Kazmir graduated from the University of Punjab where he received his M.B.B.S./M.D. He completed his internal medicine internship at the White Plains Hospital/Montefiore Medical Center in New York and continued his medical studies at the Methodist Hospital, Baylor College of Medicine, in Houston, Texas. Dr. Kazmir also completed his PGY3 at SUNY Downstate Medical Center, Department of Medicine in New York.



Suzette T. Rodriguez, Esq. - Secretary/Treasurer
(Term expired 4/30/2013*)

Suzette T. Rodriguez, Esq. is an accomplished corporate counsel with significant experience advising company personnel on matters affecting the business operations of various companies. Her specialties include civil litigation, employment law and general corporate counseling. Ms. Rodriguez has joined the firm of Blank Rome LLP, as Of Counsel in the Labor and Employment group. She had previously worked as in-house Associate Counsel for Jackson Hewitt Tax Service Inc.; in the Labor and Employment Departments of LeClairRyan in Newark, NJ and in Wong Fleming in Princeton, NJ. Ms. Rodriguez is a past president of the Hispanic Bar Association of New Jersey and the past deputy regional president (Region III) of the Hispanic National Bar Association. She also served as a Bar Examiner for the New Jersey Board of Bar Examiners and an Advisory Board Member for the New Jersey Law and Educational Empowerment Project (NJLEEP.)

****Members continue to serve until reappointed or replaced.***

Village Drive Healthcare Urban Renewal, LLC

On September 14, 2018, the Authority closed on \$23,000,000 of bonds on behalf of Village Drive Healthcare Urban Renewal, LLC. The proceeds of the sale will be used to: acquire the property in Millville NJ; renovate, construct, and equip an assisted living residence for low income seniors on the property. The project funding will also be used for, among other things, the renovation of an existing private room hotel, the new construction of additional units and kitchen, dining, administrative and resident activity areas, including an adult day care facility; reimbursement to Village Drive for certain prior expenses; pay capitalized interest on the Bonds; fund a debt service reserve fund; and pay certain costs incidental to the issuance and sale of the bonds.



The bonds were privately placed with Qualified Institutional Buyers (QIBs). The All-in True Interest Cost was 6.026878%. The present value savings over taxable bonds was \$2,714,000. The project is expected to be completed on October 24, 2019.



Financing Programs

The Authority offers six (6) different financing programs through which it may lend funds to New Jersey's health care organizations:

Stand-Alone Bond Financings

The Authority's most frequently used financing option includes publicly offered bond issues and private placement of bonds or notes. Bond issues can be structured with fixed or variable interest rates and with or without credit enhancement or ratings.

Master Leasing Program

The Master Leasing Program is designed to meet the unique needs of New Jersey's health care systems, although stand-alone facilities may also participate. In the case of a System, the various members of the System can access tax-exempt equipment leases through a pre-arranged master lease financing. The Authority approves the System for a total dollar amount, and the System's members enter into leases for up to a 10-year period, aggregated up to the pre-approved dollar amount. If the System would like more than one equipment lessor, it can enter into a master lease agreement with each separate lessor/equipment vendor.

Capital Asset Program ("CAP")

The Capital Asset Program ("CAP") is a revolving loan program designed to take advantage of bonds issued prior to the 1986 changes in the tax laws. Loans under the program are continuously repaid, making fresh funds available for other health care organizations in need of capital. The Authority recently engaged a new "AA"-rated letter of credit provider for the CAP.

The FQHC Direct Loan Program

The NJHCFFA has increased the scope of the FQHC Direct Loan Program to include providing direct loans to qualified FQHCs. The loans are made directly from the Authority's fund balance and are at a low variable monthly interest rate. Documents are standardized and require only one meeting for approval.

Equipment Revenue Note Program

The Equipment Revenue Note Program ("ERN") is designed to offer both an easy and efficient method of financing and refinancing equipment, with standardized documentation.

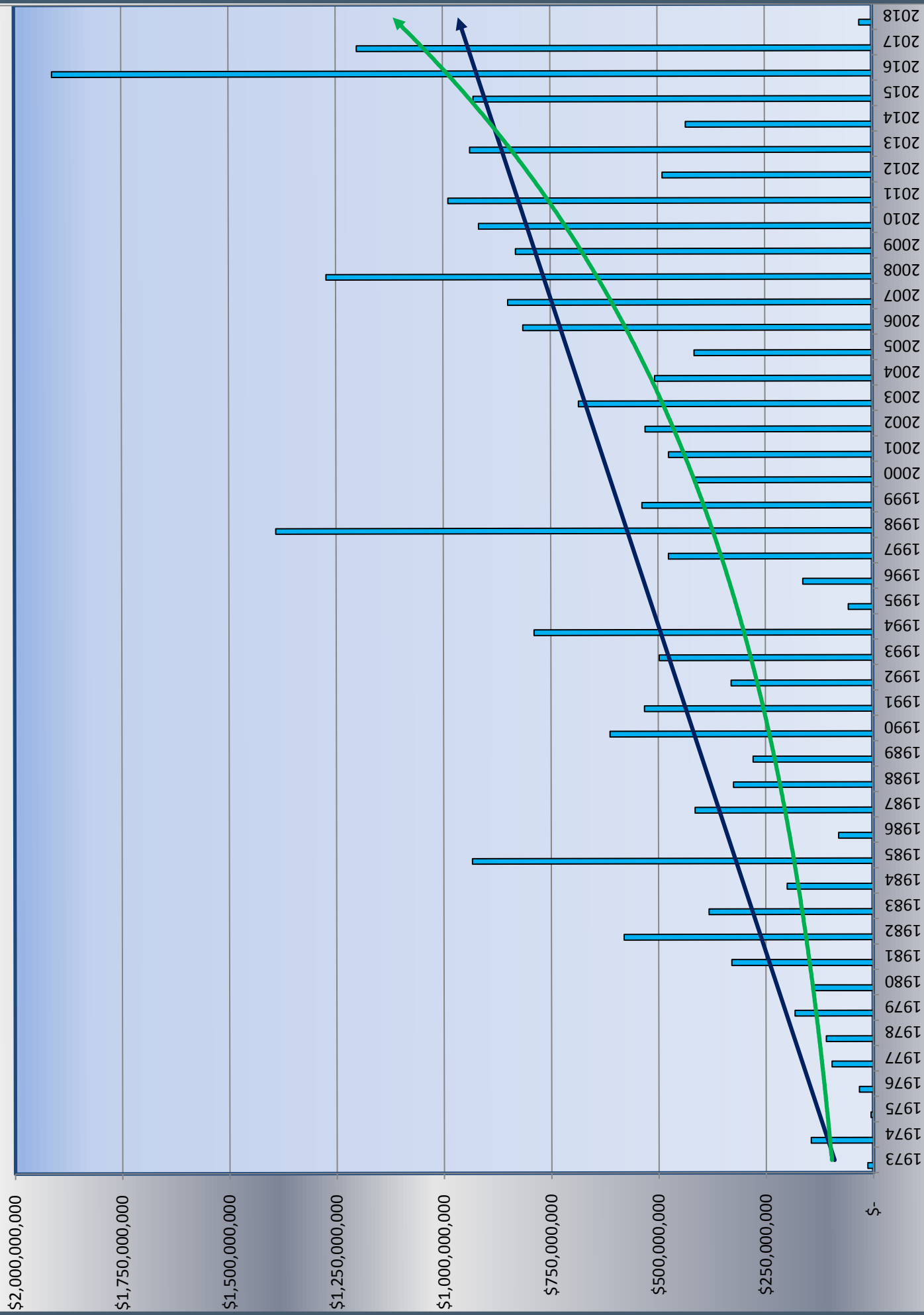
COMP Program

The Variable Rate Composite Program ("COMP") is designed to lower the costs of issuance for smaller borrowings. Under the program, bonds can be marketed for several borrowers at once, yet each borrower is only responsible for its own series of bonds. The standardization of documents and simultaneous marketing of the bonds reduces the costs of issuance for access to capital markets.

The Authority is actively researching and seeking ideas for new financing products to address the rapidly changing health care environment.

Please feel free to contact us at 609-292-8585 if you have any suggestions.

Annual Authority Financing 1973-2018



History of the NJHCFFA

The New Jersey Health Care Facilities Financing Authority is the primary issuer of municipal bonds for New Jersey's health care organizations. Created in 1972 by an Act of the Legislature to provide not-for-profit health care providers with access to low-cost capital, the Authority's statutory powers were expanded in 2000 to include financing for all health care organizations or components thereof.

Since its inception, the Authority has issued over \$23.6 billion in bonds on behalf of roughly 185 health care organizations throughout the state. Over the past 14 years, the Authority ranks as the 76th largest issuer of municipal bonds in the country and the 2nd largest solely health care issuer in the country. While the majority of its financings have been for acute care hospitals, the Authority can also provide capital for nursing homes, assisted living facilities, specialty hospitals, home health agencies, mobile intensive care units, outpatient centers, rehabilitation centers, homes for multi-handicapped individuals, health maintenance organizations (HMOs), continuing care retirement communities (CCRCs), management service organizations, blood banks, hospices, day care facilities and any related organizations.

The Authority currently has financings outstanding for approximately 70% of the State's hospitals or hospital systems.

Total Authority Financings 1973 -2018

1973 ~ \$ 12,950,000	1989 ~ \$ 279,034,283	2005 ~ \$ 414,650,000
1974 ~ \$141,970,000	1990 ~ \$ 612,185,000	2006 ~ \$ 813,674,654
1975 ~ \$ 5,400,000	1991 ~ \$ 531,859,333	2007 ~ \$ 849,066,000
1976 ~ \$ 32,375,000	1992 ~ \$ 329,703,375	2008 ~ \$1,272,380,000
1977 ~ \$ 95,893,000	1993 ~ \$ 497,295,000	2009 ~ \$ 830,840,000
1978 ~ \$109,410,000	1994 ~ \$ 789,204,390	2010 ~ \$ 916,972,666
1979 ~ \$182,117,200	1995 ~ \$ 56,305,200	2011 ~ \$ 987,865,000
1980 ~ \$137,762,500	1996 ~ \$ 162,385,000	2012 ~ \$ 488,800,148
1981 ~ \$329,223,913	1997 ~ \$ 475,395,000	2013 ~ \$ 937,123,243
1982 ~ \$580,381,998	1998 ~ \$1,390,732,857	2014 ~ \$ 434,103,000
1983 ~ \$382,288,200	1999 ~ \$ 536,745,442	2015 ~ \$ 513,384,950
1984 ~ \$200,184,027	2000 ~ \$ 412,263,588	2016 ~ \$1,828,447,500
1985 ~ \$933,336,287	2001 ~ \$ 474,775,000	2017 ~ \$1,200,700,000
1986 ~ \$ 79,985,000	2002 ~ \$ 529,082,005	2018 ~ \$ 23,000,000
1987 ~ \$414,336,984	2003 ~ \$ 684,800,000	
1988 ~ \$324,685,000	2004 ~ \$ 506,700,000	

NJHCFFA Authority Staff

Office of the Executive Director

Mark E. Hopkins, Executive Director

Carole Conover, Executive Assistant/Office Manager & Custodian of the Record

Robin Piotrowski, PHR, CPS, Human Resources Manager & Ethics Liaison Officer

John Johnson, Network Administrator

Chris Kniesler, Communications Specialist

Maria Kinney, Office Management Assistant

Division of Research, Investor Relations and Compliance

Frank Troy, CPA, Director of Research, Investor Relations and Compliance

Taryn Rommell, Assistant Director of Research, Investor Relations and Compliance

Neetu Thukral, Compliance Manager & Tax Compliance Officer

Nino McDonald, Database Analyst

Tracey D. Cameron, Administrative Assistant

Division of Project Management

William McLaughlin, Director of Project Management

Edwin Fuentes, Project Manager & Assistant Information Technology Specialist

Tracey D. Cameron, Administrative Assistant

Division of Operations, Finance and Special Projects

Ron Marmelstein, Director of Operations, Finance and Special Projects

Alpa Patel, Controller

Bernard J. Miller, Jr., Construction Compliance Officer

Jessica Lucas, Account Administrator

Michael Solidum, Account Administrator

Ellen Lieber, Accountant II

Diane Johnson, Senior Assistant Account Administrator

Taryn Brzdek, Assistant Account Administrator

Cindy Kline, Administrative Assistant

Controller Marji McAvoy retired on July 1, 2018 after 24 years of service with the Authority.



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