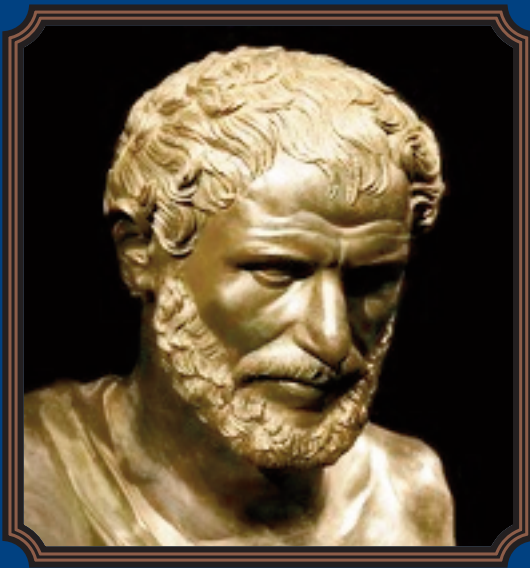




New Jersey Health Care  
Facilities Financing Authority



2015 Annual Report

*The only thing that is constant is change.*

*- Heraclitus (535-475 BC)*



## Our 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."**

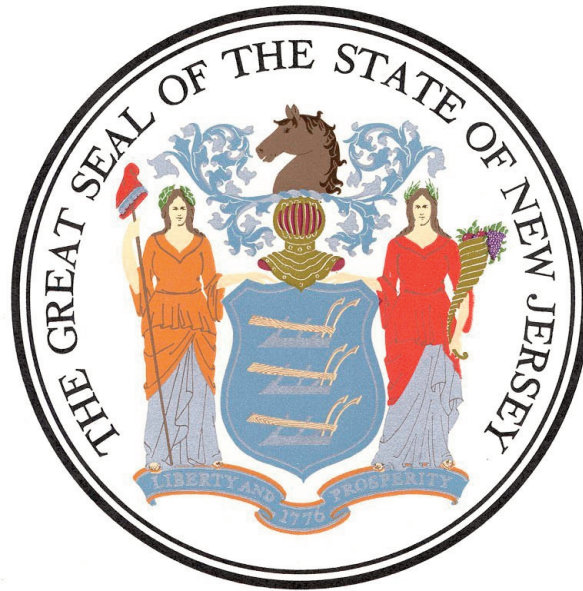
The Authority's mission was expanded in 1998 to include:

**"... 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 bonds for health care organizations throughout the State, including hospitals, skilled nursing facilities, assisted living facilities, continuing care retirement communities, visiting nurse associations 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



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**Message from the Chair, Cathleen D. Bennett**  
**Acting Commissioner of the Department of Health**



***Shifting Care to the Community***

New Jersey is transitioning from a clinician-driven healthcare system of episodic care to one focused on wellness, prevention and community engagement. Population health focuses on keeping healthy New Jerseyans well, preventing those at risk from getting sick and keeping those with chronic conditions from getting sicker. Population health promotes prevention, wellness and equity in all environments, resulting in a healthy New Jersey.

To improve population health, the clinical system of care and the public health system can no longer be viewed as separate silos. Jointly, they must be part of the solution to improve health. Public health preventive measures like building healthy environments, providing health screenings and delivering health education are all essential to improving health outcomes for residents. In recent years, the healthcare system has recognized the increasing need to look beyond the traditional delivery of care and integrate care into the community.

Hospital and healthcare providers, particularly in the cities of Camden, Newark and Trenton, are joining with partners in regional planning teams to address health disparities in these communities. Camden Coalition of Healthcare Providers, Trenton Health Team and the Greater Newark Healthcare Coalition are all demonstrating the success that can be achieved when competition is set aside and community health is a priority. A critical part of these efforts are the Federally Qualified Health Centers that provide essential preventive care in a medical home for residents with the goal of keeping them out of the emergency department. Through these collaborations patients are treated in the primary care setting which is more cost-effective. Additionally, care providers are able to connect patients to services that greatly impact health such as housing assistance. Our regional planning teams are an example of how a population health village can come together to address a community's social and care needs to improve residents' quality of life.

The Department is working to foster further partnerships among the traditional healthcare system and key public health partners through our newly created Office of Population Health. The office will work to knit together efforts that are ongoing in our hospitals, municipalities, community groups and other settings to broaden the impact. Additionally, the office will help coordinate various funding streams from the federal government that are increasingly focused on population health.

Health improvement goes beyond care delivered in the four walls of a hospital or clinical office. Healthcare leaders should connect with local health, faith-based and community organizations to foster a culture of health in their community. Working together in the population health village allows us to leverage efforts to drive meaningful improvements in health outcomes for all New Jerseyans.

## Message from Executive Director Mark E. Hopkins

2015 can be defined in one word – Change.

Change. It's the word that strikes fear in some and instills hope and optimism in others. Change. It's a command that forces some to resist while inspiring others to innovate. Change. It's inevitable. It's unavoidable. Moreover, change requires action. How one reacts to change can determine success or failure.



In 1972, the late David Bowie wrote his major hit song “Changes.” The song served as a signal to the end of the turbulent, yet dynamic decade of the 1960's. In it Bowie encouraged us to “turn and face the strange changes” referring to the obvious fact that things would never be the same again so we better acknowledge that fact. Throughout the song, he also repeated the word “changes” in a stutter to reflect society's nervousness and apprehension to change. Bowie's accurate assessment of that era is also very applicable to America's health care system.

In nature, change occurs gradually, allowing you to adapt at your own pace and in your own way. With government, however, change can be forced upon you with mandates and a time schedule. The Affordable Care Act (ACA) was a prime example.

In 2010, America's health care industry leaders scrambled to decipher a law that was 2,000 pages long. They had a very narrow time-frame in which to devise business and service models that would ensure compliance while retaining a level of profitability. By 2015, the primary changes of the ACA were to become fully implemented. The clock was ticking and there was no room for error.

At the Authority, we prepared for the “second wave.” As New Jersey's hospitals and health care facilities implemented the law, we assessed our products and services to determine how to best serve the new health care models. Service delivery systems, physical locations, reimbursement processes and corporate structures were all changing. The Authority had to adapt.

One of the first changes the Authority implemented was to the Federally Qualified Health Center (FQHC) Loan program. Originally, this low-interest loan program was exclusively dedicated to startup facilities only. The ACA revealed that local clinics and ambulatory care facilities were becoming a very popular way for New Jersey residents to receive primary health care. To accommodate this trend, the Authority made this loan program available to any FQHC seeking to expand, renovate or purchase equipment.

A unique outcome of the ACA was the flurry of mergers and acquisition among New Jersey's hospitals and health systems. New Jersey will soon be home to two “mega” systems containing as many as 11 hospitals, with the possibility of more to follow. Currently, of the state's 72 hospitals, only 17 are stand alone. These multi-hospital systems are perfectly suited for our Master Leasing Program. Under this program, systems may apply for up to \$70 million in tax-exempt leases to purchase equipment for any hospital within their network as opposed to having individual transactions for each location.

Finally, another result of the flurry of mergers and acquisitions has been the desire of the systems to consolidate debt and lower debt payments. The Authority has assisted several of the new systems in refunding bonds to reduce debt payments and free up funds to facilitate the mergers. The Authority's low-interest rates and tax-exempt status have become a very attractive option as our mega systems plan their futures.

At the Authority, we view these industry changes as an opportunity. We have the opportunity to evolve our programs so that we can best serve all of the health care facilities throughout New Jersey. As Bob Dylan wrote, “Gonna change my way of thinking. Make myself a different set of rules.” The ACA has forced us all to change our way of thinking about health care and, in our own way, the Authority has been and will continue to change to meet the new set of rules.

**Ex-officio Members**

**Cathleen D. Bennett, Chair**

**Serves in her position as Acting Commissioner of the Department of Health**



Ms. Bennett joined the Department as Director of Policy and Strategic Planning in August 2010. Prior to joining the Department, Ms. Bennett worked as an executive in the private sector for 20 years, providing consulting, strategy, and management services to federal and state health and human services agencies. She holds a Master of Government Administration from the University of Pennsylvania, a Juris Doctorate from The Dickinson School of Law, and a Bachelor of Arts from Villanova University.

**Elizabeth Connolly**

**Serves in her position as Acting Commissioner of the Department of Human Services**



Ms. Connolly has worked in various roles at the Department for 26 years, most recently as Chief of Staff. She began her career in the Division of Family Development and as Director of Data Analysis and Reporting in the Office of Children’s Services. Ms. Connolly also served as Director of Research and Evaluation, Special Assistant to the Commissioner and led the Department’s Sandy recovery initiatives and emergency preparedness activities related to Ebola Virus Disease. She holds a Bachelor of Arts degree and Masters in Public Administration from Seton Hall University.

**Richard J. Badolata**

**Serves in his position as Acting Commissioner of the Department of Banking and Insurance**



Richard J. Badolata was a veteran civil litigator and partner in the Connell Foley law firm in Roseland. Mr. Badolata’s legal career of nearly five decades has been marked by service not only to his clients, but also to the bar, the legal profession, and the executive and judicial branches of New Jersey state government. Mr. Badolata is also the Past State Chair of the Fellows of the American Bar Foundation; he served as President of the Essex County Bar Association (1977-1978.) He also served as Chairman of the Supreme Court of New Jersey Commission on Professionalism in the Law. Mr. Badolata received his law degree from Rutgers University and his bachelor’s from Fairfield University.

*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 one public member vacancy.*

## Ex-officio Members' Designees



**Brian O'Neill**

**Brian O'Neill** served as the Designee for the Acting Commissioner of the Department of Health until August 2015.



**Michael Conca**

**Michael Conca** served as the Commissioner's Designee through December 2015



**Greg Lovell**

**Greg Lovell** served as the Designee for the Acting Commissioner of the Department of Human Services until July of 2015.



**Jessica Feehan**

**Jessica Feehan** was named as the Designee on July 1, 2015



**Maryann Kralik**

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

## NJHCFFA Public Members

### **Elisa A. Charters, CCIM - Vice Chair**

(Term expired 4/30/2014\*)



Ms. Charters is principal of EAC Business International LLC, a consultation firm that specializes in Diversity & Inclusion (D&I) strategies, as well as, financial, business and operating strategies relating to various industries including: transportation, planning, commercial real estate and wholesale/retail fashion. Ms. Charters founded and, for five years, managed Toussa International LLC, a wholesale distribution and sourcing company of children's apparel imported from South America (Argentina, Peru and Brazil.)

Ms. Charters is a Certified Commercial Investment Member (CCIM) and an advanced Diversity & Inclusion Practitioner (CCDP/AP '16). She is a graduate of New Jersey Institute of Technology, New York University and Columbia University with advanced degrees in Environmental Science, Real Estate Finance and International Finance and Business, respectively.

### **Suzette T. Rodriguez, Esq. - Secretary**

(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 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.)

### **Munr Kazmir, MD - Treasurer**

(Term expired 4/30/2015\*)



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 additional 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.

(\*Members continue to serve until reappointed or replaced.)

Complete Public Member biographies may be found at:  
<http://www.njhcffa.com/njhcffa/about/members/index.html>

## 2015 Authority Financings:

**Barnabas Health - Master Lease Program - \$7,845,950**

**Lakewood Resource and Referral Center (d/b/a CHEMED) -  
Federally Qualified Health Center Direct Loan Program - \$1,500,000**

**Children's Specialized Hospital - \$27,200,000**

**Hackensack University Medical Center - \$84,000,000**

**Meridian Health - \$130,000,000**

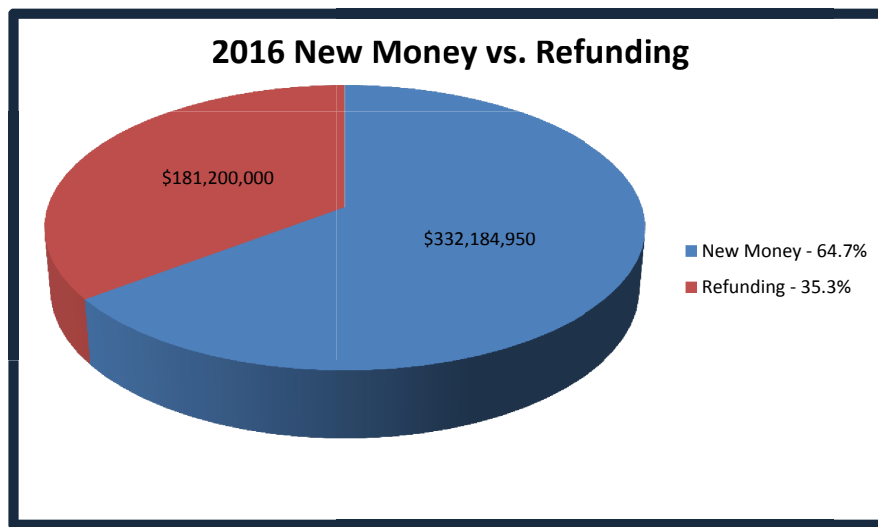
**Samaritan Healthcare and Hospice - \$7,864,000**

**University Hospital - \$254,975,000**

**Total 2015 financings = \$513,384,950**

*Over \$80,000,000 in present value savings*

## Reversing the trend in 2015



*New money financing exceeded refunding for the first time since 2010!*

The Authority's Master Leasing Program is designed to meet the unique needs of New Jersey's growing number of health care systems. Under this program, various members of a System can access tax-exempt equipment leases through a pre-arranged master lease financing. The Authority approves the System for a total dollar amount (\$15 million minimum) and the System's members enter into leases over a 10-year period aggregated up to that dollar amount. The System must enter into a master lease agreement with each separate lessor/equipment vendor.

In 2015, Barnabas Health entered into a lease of \$7,845,950 through the Authority to: finance the costs of leasing and subleasing health care equipment to Barnabas Health, or one of its affiliates at various project locations including Saint Barnabas Medical Center, Jersey City Medical Center, Community Medical Center, Monmouth Medical Center, Monmouth Medical Center - Southern Campus and Clara Maass Medical Center and not limited to: radiology, cardiology, pediatrics, obstetrics, nuclear medicine, oncology, general medicine purposes and computer-related purposes; and, to finance legal, accounting, consulting and other administrative costs related to the tax-exempt leasing program.

### **FQHC Direct Loan for LLRC**



The Lakewood Resource & Referral Center, (LLRC) is an approved Federally Qualified Health Care Center. LLRC requested a direct loan from the Authority for their Center for Health Education, Medicine and Dentistry ("CHEMED".) CHEMED was the first FQHC to take advantage of the expanded FQHC Direct Loan Program. The loan will be used to finance/refinance a portion of the start-up costs associated with an expansion of services that includes a new state-of-the-art Women's Health Department and a new Radiology Department.

The Authority, under the expanded FQHC Loan Program, granted LLRC a \$1,500,000 7-year variable rate loan that is based on the interest rate of the NJ Cash Management Funds, plus 2%. The interest rate at the closing was 2.09%.

### **Children's Specialized Hospital**



On April 2, 2015, the Authority closed on \$27,200,000 of bonds issued on behalf of Children's Specialized Hospital. The bonds were used to fully refund and redeem the outstanding portion of the Children's Specialized Hospital Series 2005A bonds issued by the NJHCFFA and pay the related costs of issuance.

The bonds were privately placed with Siemens Public, Inc. The transaction resulted in present value savings of \$7,879,475 or 28.989% of the refunded bonds. The all-in TIC was approximately 2.91%.

On August 12, 2015, the Authority closed on \$84,000,000 of bonds issued on behalf of Hackensack University Medical Center (HUMC) Obligated Group. HUMC is a not-for-profit 501(c)(3) corporation located in Hackensack, New Jersey. It operates a 900-bed general acute care, teaching hospital that provides secondary, tertiary and quaternary levels of care on both inpatient and outpatient basis.

The proceeds from the bonds were used to fund the acquisition costs of a Medical Arts Building, an adjacent parking garage and an existing ground lease for the real estate upon which these facilities are located; and, to pay the related costs of issuance.

The Series 2015A Bonds were privately placed with TD Bank, N.A. with an interest rate of 2.38%, which represents a present value savings of nearly \$8.2 million over the first 10 years of the bonds as compared to taxable financing.



**Samaritan Healthcare and Hospice, Inc.**

Samaritan Healthcare and Hospice, Inc. is an independent not-for-profit organization serving patients and families within a 2200 square-mile radius of its campus in Southern New Jersey that includes Atlantic, Burlington, Camden, Gloucester, and Mercer Counties.

On October 22, 2015, the Authority closed on \$7,864,000 of bonds issued on behalf of Samaritan Healthcare and Hospice. The proceeds of the bond sale will be used to construct a 30,000 square-foot Hospice Inpatient Center in Voorhees, NJ and pay the related costs of issuance. The building will be on the property Samaritan currently owns adjacent to the Virtua Campus.

The Series 2015A Bonds were privately placed with Wells Fargo, N.A. at an interest rate of 2.65%, which represents an \$886,630 present value savings compared to taxable bonds.

**Meridian Health System**



On November 2, 2015, the Authority closed on \$130,000,000 of bonds issued on behalf of Meridian Health System. Meridian is comprised of Jersey Shore University Medical Center, Riverview Medical Center, Ocean Medical Center, Southern Ocean Medical Center, Bayshore Community Hospital, as well as the K. Hovnanian Children's Hospital.

The proceeds of the issuance were used to: finance the expansion of the Emergency Department at Ocean Medical Center; finance the expansion of the Catheterization Laboratory at Bayshore Community Hospital; finance the renovation/expansion of the Cardio/Neuro Intensive Care Unit at Jersey Shore University Medical Center; finance the acquisition of various capital equipment; fund a debt service reserve fund; and, pay the related costs of issuance.

The Series 2015A Bonds were privately placed with TD Bank N.A. and the financing was structured as a fixed-rate obligation. The interest rate for this transaction was 2.50%, which represents a present value savings of over \$11.8 million over the first 10 years of the bonds as compared to taxable financings.

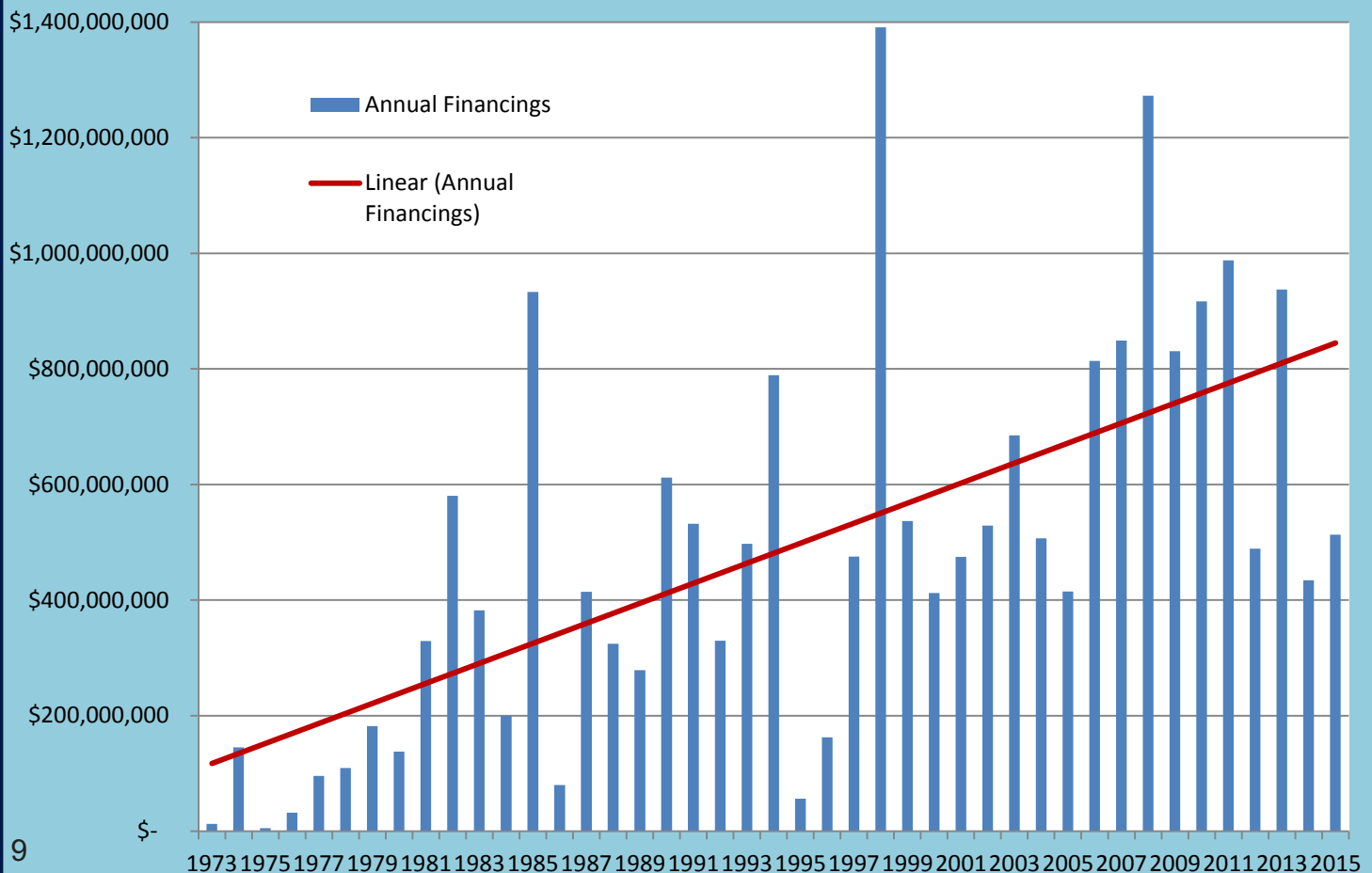
On December 21, 2015, the Authority closed on \$254,975,000 of publicly issued tax-exempt bonds on behalf of University Hospital. University Hospital, an instrumentality of the State of New Jersey, is a 467-licensed bed acute care facility with over 3,200 full-time employees.

The Assured Guaranty insured bonds were rated “A2/AA” by Moody’s and S&P, respectively. Additionally, the underlying credit rating for University Hospital was “BBB” from Fitch Ratings. Approximately \$154 million of the proceeds were used to refund and/or redeem all of the Authority’s outstanding Revenue Bond Anticipation Notes, University Hospital Issue Series 2013A. Approximately \$100 million of the proceeds were used to finance a portion of the costs of various capital improvements to University Hospital’s existing acute care facility located in Newark, including increasing the number of operating and procedure rooms; upgrading the HVAC systems and facilities; enhancing and expanding the Cancer Program plus other work, materials and equipment needed; funding a debt service reserve fund; and, pay all or a portion of the costs of issuance.

Security for this transaction included a “lock box” feature in which payments made by the State to University Hospital are separated for use as debt service for the bonds.

Yields on the bonds ranged from 2.26% on the 2021 maturity to 4.14% on the 2046 maturity. The all-in total interest cost for the transaction was 4.87%. Indicative rates on a comparable taxable transaction would have resulted in total interest cost approximating 6.56%. Through the use of tax-exempt bonds, University Hospital was able to save on a present value basis of the yield to call, approximately \$51.4 million. Morgan Stanley served as the senior underwriter for this transaction with Bank of America Merrill Lynch, Barclay’s, Citicorp and Wells Fargo Securities serving as co-managers.

**Total Annual Financings 1973 - 2015**



## The 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

**Chris Kniesler**, Communications Specialist

**John Johnson**, Network Administrator

**Maria Kinney**, Office Management Assistant

### Division of Research, Compliance and Project Management

**Stephen M. Fillebrown**, Deputy Executive Director & Director of Research,  
Compliance and Project Management

**Frank Troy**, CPA, Assistant Director of Research and Compliance

**William McLaughlin**, Assistant Director, Project Management

**Carl MacDonald**, Project Manager 1

**Taryn Rommell**, Compliance Manager & Tax Compliance Officer

**Nino McDonald**, Database Analyst

**Tracey D. Cameron**, Administrative Assistant

### Division of Operations, Finance and Special Projects

**Ron Marmelstein**, Director of Operations, Finance and Special Projects

**Michael B. Ittleson**, Controller & Assistant Information Technology Specialist

**Bernard J. Miller, Jr.**, Construction Compliance Officer

**Marjorie P. McAvoy**, Senior Account Administrator

**Jessica Lucas**, Account Administrator

**Edwin Fuentes**, Account Administrator

**Ellen Lieber**, Accountant

**Diane Johnson**, Senior Assistant Account Administrator

**Neetu Thukral**, Assistant Account Administrator

**Debra Coons**, Assistant Account Administrator

**Taryn Brzdek**, Administrative Assistant

### 2016 Retirement:

**Stephen M. Fillebrown** - Deputy Executive Director & Director of Research, Compliance & Project Management retired on April 1, 2016 after 30 years of service

## **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.

### **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 FQHC Direct Loan Program**

The NJHCFFA has increased the scope of the FQHC Direct Loan Program to include providing direct loans to qualified FQHCs that wish to upgrade or expand their operations.

### **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.

### **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 over a 10-year period aggregated up to that dollar amount. The System must enter into a master lease agreement with each separate lessor/equipment vendor.

### **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.*

## 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 \$20 billion in bonds on behalf of roughly 185 health care organizations throughout the state. 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.

### Total Authority Annual Financings since 1972

1973 ~ \$ 12,950,000	1989 ~ \$ 279,034,283	2004 ~ \$ 506,700,000
1974 ~ \$ 141,970,000	1990 ~ \$ 612,185,000	2005 ~ \$ 414,650,000
1975 ~ \$ 5,400,000	1991 ~ \$ 531,859,333	2006 ~ \$ 813,674,654
1976 ~ \$ 32,375,000	1992 ~ \$ 329,703,375	2007 ~ \$ 849,066,000
1977 ~ \$ 95,893,000	1993 ~ \$ 497,295,000	2008 ~ \$1,272,380,000
1978 ~ \$ 109,410,000	1994 ~ \$ 789,204,390	2009 ~ \$ 830,840,000
1979 ~ \$ 182,117,200	1995 ~ \$ 56,305,200	2010 ~ \$ 916,972,666
1980 ~ \$ 137,762,500	1996 ~ \$ 162,385,000	2011 ~ \$ 987,865,000
1981 ~ \$ 329,223,913	1997 ~ \$ 475,395,000	2012 ~ \$ 488,800,148
1982 ~ \$ 580,381,998	1998 ~ \$1,390,732,857	2013 ~ \$ 937,123,243
1983 ~ \$ 382,288,200	1999 ~ \$ 536,745,442	2014 ~ \$ 434,103,000
1984 ~ \$ 200,164,027	2000 ~ \$ 412,263,588	2015 ~ \$ 513,384,950
1985 ~ \$ 933,336,287	2001 ~ \$ 474,775,000	
1986 ~ \$ 79,985,000	2002 ~ \$ 529,082,005	
1987 ~ \$ 414,336,984	2003 ~ \$ 684,800,000	
1988 ~ \$ 324,685,000		

New Jersey Health Care  
Facilities Financing Authority  
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