



AUTHORITY NOTES

2017 Series A

SPRING

MESSAGE FROM THE EXECUTIVE DIRECTOR

Supreme Court Justice Oliver Wendell Holmes once wrote, "the longing for certainty ... is in every human mind. But certainty is generally illusion."



While it is doubtful that he was referring to the state of New Jersey's health care system, his words are very applicable – particularly this year.

The New Jersey Health Care Facilities Financing Authority has just completed a very historic year. Records were set for total financings as well as for a single issue financing. The Authority's five-year annual financing average is solidly trending upward. In addition, our five-year trend indicates an increasing volume of new money financings. As we strive to improve on our 2016 success, however, we face many uncertainties.

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Hackensack Meridian Health co-CEO Robert Garrett: Hospitals should 'take the lead' on healthcare reform

Written by Kelly Gooch for Becker's Hospital Review

With recent events in Washington, D.C., it is unclear what the future holds for healthcare. However, that doesn't mean hospitals need to remain stagnant, according to Robert Garrett, co-CEO of Edison, N.J.-based Hackensack Meridian Health.

Mr. Garrett became co-CEO in 2016 following the merger between Hackensack (N.J.) University Health Network and Neptune, N.J.-based Meridian Health. Prior to that, he was president and CEO of the HUH since 2009.

Mr. Garrett recently spoke with Becker's Hospital Review about healthcare reform, the challenges it brings and how hospitals should respond.

(Note: Responses have been edited for length and clarity.)

Question: If you could eliminate one of the healthcare industry's problems overnight, which would it be?

Robert Garrett: I would eliminate

the lack of coordination of care because I think so many different caregivers are responsible for patients. Sometimes those handoffs are smooth and sometimes they're not. I think there needs to be, in general, better coordination of care. I think through efforts like accountable care organizations and clinically integrated networks, we're making a lot of progress there, but I do think there is more opportunity for the healthcare team to come together and coordinate care. I've seen some great examples of where that's done. There are hospitals that practice multi-disciplinary rounding where physicians, nurses, other members of the team like pharmacists and physical therapists, actually round on patients at one time. We're doing that in many of our Hackensack Meridian hospitals. I was just at one of our hospitals, Mountainside in Montclair, N.J., and they have high reliability rounding on patients. So the team goes into the patient room and does an overall assessment of the patient's condition in front of the patient, and then the patient has an opportunity to say if they felt they missed anything.

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Across the industry, the initial insecurity and turmoil that resulted from the implementation of the Affordable Care Act (ACA) have not only subsided, but our hospitals and health systems crafted strategies that have enabled most of them to thrive and plan for future growth.

New Jersey had 552,000 individuals who were previously uninsured obtain health insurance coverage through the expanded Medicaid program, thus easing the taxpayer burden of Charity Care. Moreover, the resulting changes in health care delivery as well as an increased focus on the patient appear to have simplified, as well as broadened, the public's access to health care.

Despite the many bumps along the way, after seven years of evolving, it can be said that New Jersey adapted extremely well to the ACA as compared to many other states. More importantly, the public has not simply accepted this new form of health care, but they have fully embraced it.

As we enter 2017, all I can say is "hold on!" The new administration in Washington has made the "repeal and replacement" of the ACA a major priority. And, in true Washington, D.C. fashion, there are many differences of opinion on what should be repealed and what the replacement should look like. The one thing that is certain is that the final product will probably bear little resemblance to the ideas that are

currently being bantered about. Just as with the ACA in 2010, we will have to wait and see before any effective planning can occur.

The financial markets are also undergoing changes. The November 2016 presidential election and the March 2017 Federal Reserve's increase to the target federal key interest rate by 0.25%, plus an indication that two (2) more rate hikes may be coming in 2017, have already led to significant interest rate changes, with more expected to come. If the projections hold true, this will represent the first significant rate increases since the financial crisis of 2008. Bond interest rates have already increased rapidly, since the election.

The Municipal Market Data index of 30-year AAA-rated tax-exempt general obligation bond yields have increased 37 basis points from 2.53% on the day before the election to 2.90% as of April 20, 2017. The weekly Bond Buyer Index of 25, 30-year tax-exempt municipal revenue bonds with an average rating of A1/A+ increased 47 basis points, from 3.44% to 3.91% between November 3, 2016 and April 20, 2017. Any subsequent federal interest rate increases are likely to affect the rates of the bonds the Authority issues in the future.

The new administration has also indicated a desire for tax reform. The proposed changes include a lowering of the corporate tax rate and potentially eliminating tax-free

municipal bonds. For the Authority, the latter would be a real game changer. Fortunately, through our membership in the National Association of Health and Educational Facilities Finance Authorities (NAHEFFA), the Authority's position is being well represented on Capitol Hill.

As we sit here with many questions, concerns and unknowns only two things are certain: one, we don't know what is actually going to happen and, two, as Sam Cooke sang in 1964, "*A Change Is Gonna Come*." But, as we see it, there is only one thing to do – keep providing New Jersey health care organizations with access to low-cost financing. For the time being, that is done primarily by issuing tax-exempt bonds at low interest rates. To date, nothing has changed so it's business as usual at the Authority!

**The NJHCFFA
is ready to help with all
of your financing needs!**

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products and fees,
go to our website at:**

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We're ready to help!

Trinitas Regional Medical Center

On April 3, 2017, the Authority closed on \$82,970,000 of bonds issued on behalf of Trinitas Regional Medical Center. The 2017A bonds were forward delivery bonds that priced on September 16, 2016.



The bonds will be used to: to refund all of the NJHCFFA issued Trinitas Hospital Series 2007A & 2007B bonds; to refinance all of the Trinitas Hospital Taxable Variable Rate Demand Bonds, Series 2006; to reimburse Trinitas for capital expenditures associated with the Emergency Room renovation project; and pay the related costs of issuance.



The bonds were publicly offered with Bank of America Merrill Lynch serving as the lead underwriter for the transaction.

Bond rating: Baa2 (Moody's) and BBB (S&P)

The transaction resulted in present value savings of \$17,127,240 or 15.62% of refunded bonds.

Estimated savings of approximately \$10 million or 132 basis points versus taxable bonds.

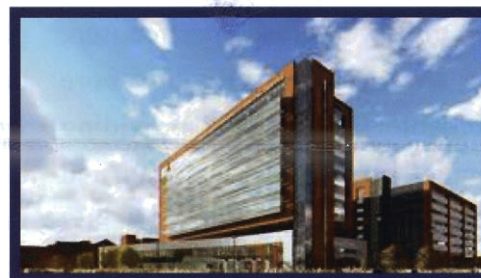
The all-in TIC was approximately 3.107%



Hackensack Meridian Health

On April 20, 2017, the Authority closed on \$588,790,000 of bonds issued on behalf of Hackensack Meridian Health (HMH).

The bonds will be used to: refund, refinance and/or restructure outstanding obligations of both Hackensack University Medical Center and Meridian Health in order to place them under a new Master Trust Indenture; to fund a new money project consisting of approximately \$100 million to reimburse HMH for the HOPE Tower at Jersey Shore Medical Center; and to pay the related costs of issuance.



Bonds refunded: Revenue Bonds, Meridian Health System Obligated Group Issue, Series 2007; Revenue Bonds, Hackensack University Medical Center Issue, Series 2008; Revenue and Refunding Bonds, Hackensack University Medical Center Issue, Series 2010; Revenue and Refunding Bonds, Hackensack University Medical Center Issue, Series 2010B; and Revenue and Refunding Bonds, Palisades Medical Center Obligated Group Issue, Series 2013.

Bond rating: AA- (Fitch) and A+ (S&P)

The bonds were publicly offered with Bank of America Merrill Lynch as the lead underwriter.

The transaction resulted in present value savings of \$37,902,290 or 6.871% of refunded bonds.

So I think there's a lot of good going on in that space in terms of coordination of care, but if there was one problem generic to healthcare right now it is still having pockets of lack of coordination.

Q: How do you maintain optimism and engagement among employees amid the uncertain future of healthcare reform?

RG: We do a lot of communication with our team members and with our medical staff. I think the best way team members stay optimistic is they know our strategies really transcend whatever healthcare reform might bring. So no matter what comes out of Washington, D.C., even what comes out of state and local governments, there are some basic themes that are really important — like transparency on prices and services and quality that we provide to patients — that we need to be very consumer-focused, that we need to provide more affordable care by providing efficient operations each day and that team members can certainly participate in that as well. Our system also has a strong focus on the coordination piece — better alignment between hospitals, physicians and even insurers. So I think the way our team members and healthcare workers in general can stay optimistic in this era of uncertainty is to stick to certain principles, that no matter what

comes out of healthcare reform or Washington, D.C., these principles will be the road to success for a healthcare organization. If you can stay within those boundaries, I think there is room for and reason to be optimistic.

Q: What challenges must hospitals address as the national healthcare debate continues?

RG: I would call the first challenge the folks that are most disadvantaged in our society and whether they'll be covered in the future by either Medicaid or some other form of insurance. These are the most disadvantaged people in our nation. They are often in need of healthcare services on a frequent basis. I think that's a big challenge for all of us to figure out. We definitely didn't support the rollback of the Medicaid expansion, which was part of the GOP's proposed ACA replacement plan because we felt it was going to be very difficult, as these patients who were previously insured may have become uninsured. Without insurance, many of these people may come to a hospital emergency room for primary care, which is not the most efficient, nor the best way for primary care to be delivered. And, from the hospital perspective, healthcare reform is a big challenge because our Medicare rates and also our charity care reimbursement was cut significantly when the ACA passed, and those pools of money



Robert C. Garrett, FACHE
co-Chief Executive Officer
Hackensack Meridian Health

evaporated. So even under what was proposed in healthcare reform, those Medicare cuts were not going to be restored just because Medicaid expansion was being rolled back. In New Jersey, those charity care dollars are no longer there to be distributed as well. So that's a huge challenge for the hospital industry. If you think about it, we almost take a double hit. We made a sacrifice when the ACA was passed, but that sacrifice was made with the belief that more people would be insured under Medicaid and under Medicare, and that did happen. However, we made those cuts and if we take back those people's insurance, we're going to be really hit twice.

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Q: How specifically is Hackensack Meridian preparing for these challenges?

RG: On the consumer front, we are trying to provide access to healthcare by building an incredibly large ambulatory care network so people can receive healthcare closer to their homes, in their own communities, at more affordable prices than coming to a hospital. That could mean ambulatory surgery centers, urgent care centers, and wellness and fitness centers. The whole array on the full continuum of care is what we've been providing. We think that's what consumers want and that's how we've been helping to meet that challenge.

With respect to transparency, our health network has taken steps to give consumers more information about quality and pricing. As an example, on our website we're posting patient experience, readmission and hospital-acquired infection data so consumers and the public can see how our hospitals are doing. We're also posting pricing information for the most common procedures. Both of those initiatives are in the process of being rolled out across our network, but they do appear on websites within our network now.

Q: What is your advice to other hospitals trying to navigate health-care reform?

RG: We need to take the lead. We should not be waiting for Washington, D.C. We should be taking the lead on healthcare reform, and we should all embrace these principles on transparency, on being more consumer-focused, on providing more affordable healthcare through operational efficiencies and continuing to align so we can coordinate care better. So continue that alignment between hospitals, physicians and insurers.

We also need to advocate for the needy, the folks that are most disadvantaged in our society. We have a responsibility to do that. My best advice would be for our colleagues in the healthcare industry to follow these principles and take the lead in these categories. We shouldn't wait for Washington, D.C., or in our case Trenton, N.J. We should really be taking the lead. We are healthcare leaders. We should put together healthcare reform that makes sense for our entire nation and system.

This article is reprinted with the permission of Becker's Hospital Review. The original article may be found at:

<http://www.beckershospitalreview.com/hospital-management-administration/hackensack-meridian-health-co-ceo-robert-garrett-hospitals-should-take-the-lead-on-healthcare-reform.html>

Welcome!



Michael Solidum

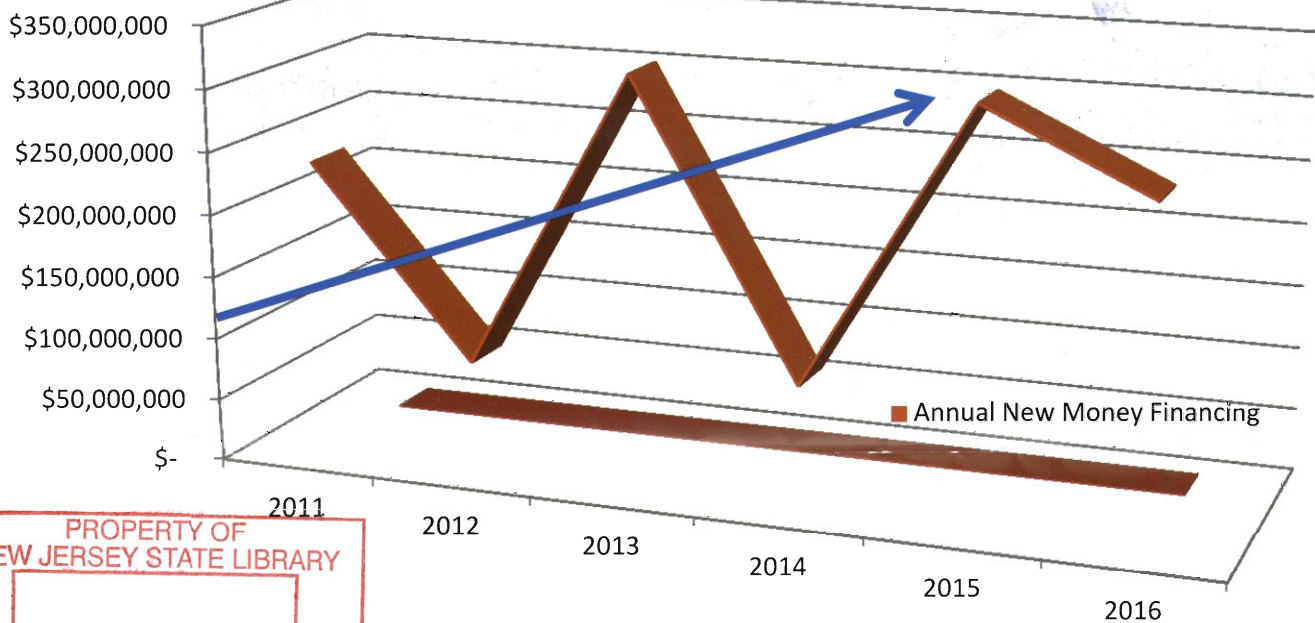
The Authority welcomes Michael Solidum to the staff. Michael was hired as the Authority's Account Administrator in January. Mr. Solidum worked for over eight years at Merrill Lynch as an Assistant Vice President in the Advisor Engagement and Acquisition group. Prior to Merrill Lynch, he held accounting positions at several organizations.

Mr. Solidum earned his Bachelor of Science degree in Business Administration from Rowan College.

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*The Authority currently has two
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New Jersey Health Care Facilities Financing Authority

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