New Jersey Health Care Facilities Financing Authority

Annual Report

2014

Reforming and refunding New Jersey’s health care.
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.
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A Message from Commissioner Mary E. O'Dowd, Chair

In New Jersey, as well as nationally, our healthcare system is going through a transformation driven by an emphasis on improving the experience of care, developing population health strategies and reducing costs. New Jersey has expanded our participation in value-based purchasing initiatives, which link performance outcomes to financial rewards thus encouraging high quality and cost efficient care.

The state budget, which dedicates nearly $830 million to our hospitals and FQHCs, invests in the future of our healthcare system while continuing to support our safety net. Medicaid expansion provided insurance to nearly 500,000 previously uninsured residents.

As the number of uninsured patients declines significantly, this budget right-sizes our charity care subsidies. Hospital charity care is funded at $502 million. Preliminary hospital documented charity care for 2014 is estimated at $580 million, which represents a 40% reduction in services to the uninsured in one year. Largely, this is due to the successful expansion of Medicaid by Governor Christie. The $502 million reflects an 87% subsidy for the amount of care provided currently—and represents the highest subsidy rate ever provided through the program. This allows for a reasonable transition for hospitals, while also giving the state the opportunity to support other programs such as investing in our healthcare workforce.

The budget also includes more than $127 million for Graduate Medical Education (GME), a $30 million increase from last year. This reflects the Governor’s ongoing commitment to the expansion of New Jersey’s medical schools and hospital-based teaching programs. Since the beginning of this administration, Governor Christie has more than doubled funding for GME, from $60 million to $127.3 million. This is coupled with the Department of Human Services’ initiative to improve access to doctors for our Medicaid population by increasing funding by $45 million to physicians who treat Medicaid patients.

As the healthcare landscape evolves, there is an increased focus on prevention and wellness. This is critical to improving the health of our population since chronic diseases lead to 70% of deaths and consumes 83% of all U.S. healthcare spending.

The Department is using a comprehensive approach to build healthier communities and shift our focus from illness to wellness by using the tools of planning, financial incentives, HIT and community engagement. Last year, the Department unveiled its Chronic Disease Plan called Partnering for a Healthy NJ, which uses evidence-based strategies to promote prevention and wellness in all environments. Our hospital Delivery System Reform Incentive Payments—or DSRIP program— rewards hospitals for achieving improved health outcomes that will result in better health and reduced hospital admissions. The budget dedicates $166.6 million for DSRIP, the first hospital subsidy program in the state to align public health and hospital quality goals in a financial incentive program.

The Department is committed to keeping New Jersey at the forefront of health care innovation.
2014 was a seminal year in New Jersey health care finance. First, the Authority surpassed the $20 billion mark in total financings since it began issuing bonds in 1973. Second, New Jersey began feeling the full impact of the Affordable Care Act (ACA). Third, and most important, the health care industry in New Jersey began adjusting to the new regulations and requirements of the ACA.

Two activities dominated the Authority’s agenda in 2014: the refunding of bonds and identifying ways to improve health care delivery. Under the ACA, health care providers expected an increase in the number of insured patients offset somewhat by reductions in reimbursements from insurance companies, Medicare and Medicaid. Hospitals and health systems strategized how to maintain appropriate services under the evolving health care reimbursement mechanisms. I believe that this is why over 70% of the 2014 bonds issued by the Authority were for refunding. Providers were able to free up funds by lowering debt payments.

The Authority’s Mission Statement was amended in 1998. The amendment expanded our duties to “… provide assistance in the restructuring of the health care system of the State.” To that end, on behalf of itself and the Department of Health, the Authority commissioned a study on health care delivery in the Newark area. This study prompted an essential discussion on the most effective ways to deliver health care to the population, the number and type of facilities needed, as well as the health care habits of that population. The goal, not just in Newark, but statewide, is to construct a health network that is efficient, effective and ACA compatible.

The ACA also triggered significant changes to New Jersey’s health care industry. Our hospitals, health systems and care facilities entered into a new phase of health care – one without much guidance or instruction. Several of New Jersey’s hospitals saw advantages to merging operations or acquiring hospitals, while others entered into cooperative agreements for medical specialties, and still others expanded into primary care through urgent care centers and acquisitions of physician practices. Also, in anticipation of New Jersey’s projected physician shortage, plans were unveiled for a new medical school and the Governor is budgeting to increase funding for Graduate Medical Education.

With the changing landscape of New Jersey’s health care, the Authority has also taken steps to adapt to the new needs of our health care systems. For example, Federally Qualified Health Centers (FQHCs) have become essential providers of health care. The FQHC’s deliver basic health care needs locally and reduce the burden on hospital emergency rooms. In response to this trend, the Authority Members voted in December to expand the FQHC Loan Program to include all FQHCs, not just startups. Now, any FQHC that wishes to purchase equipment and expand services or facilities can now apply for a direct, low-interest loan.

As New Jersey approaches a population of 9 million, it will be interesting to see how our current health care networks will respond to the added demands. The success of the ACA in the near future will depend upon ingenuity and expertise of all affected organizations. Be assured, that the Authority is prepared to respond to New Jersey’s health care facility needs as they arise.
NJHCFFA Governing Board

Ex-Officio Members and Designees

Mary E. O'Dowd, M.P.H.  
Chair  
Serves in her position as the Commissioner of the Department of Health

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

Ken Kobylowski, Esq.  
Serves in his position as the Commissioner of the Department of Banking and Insurance

Brian O’Neill  
Serves as the Designee for Commissioner O’Dowd

Greg Lovell  
Serves as the Designee for Acting Commissioner Connolly

Mary Ann Kralik  
Serves as the Designee for Commissioner Kobylowski

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.
NJHCFFA Public Members

Elisa A. Charters, CCIM
Vice - Chair
(Term expired 4/30/2014*)

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

Munr Kazmir, MD
Treasurer
(Term expired 4/30/2015*)

Ms. Charters, a Certified Commercial Investment Member (CCIM), is principal of EAC Business International LLC, an economic development and strategic planning firm, specializing in D&I. She founded Toussa International LLC, a wholesale distribution and sourcing company of children’s apparel imported from South America. Ms. Charters was the General Manager of Finance - Port-Commerce, The Port Authority of NY & NJ; Manager of WTC Site Acquisitions & Operations for the redevelopment effort of One WTC post 9/11. She advises on N.J.I.T.’s School of Management Board and the Essex County Planning Board. In 2008, she was appointed to the Minority and Women Business Development Advisory Council. Ms. Charters has founded two non-profits, Latina Surge and Surge the Brown Out. Ms. Charters is active in the Statewide Latino Leadership Alliance of New Jersey and The Junior League of Montclair-Newark.

Ms. 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. She had previously worked as in-house Associate Counsel for Jackson Hewitt Tax Service Inc.; and in the Labor and Employment Departments of LeClairRyan in Newark, NJ and 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 & Educational Empowerment Project (NJLEEP.)

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 International School Foundation which brings American values to Third World and Middle Eastern children. Dr. Kazmir received the Ellis Island Medal of Honor and has been recognized domestically and, internationally by world leaders, for his humanitarian efforts on behalf of children, the disabled and human rights. Dr. Kazmir is a former Presidential Commission on the White House Fellow and is known for his bipartisan efforts on behalf of law enforcement officers and their survivors. Dr. Kazmir is a former NJ Lottery Commissioner and served on the Medicare Coverage Advisory Committee and the National Advisory Council for the Agency for Healthcare Research and Quality.

(*Members continue to serve until reappointed or replaced.)
**2014 Financing Statistics**

- Total Financings = $434,103,000
- Bonding for New Money = $98,750,000
- Bonding for Refunding = $335,353,000
- Present Value Savings from Refunded Bonds = $34,000,000
- Number of Health Care Organizations Receiving Financing = 6

The NJHCFFA financings reflect the needs of New Jersey’s health care industry under our present health care reform and the shifting economic paradigm:

**Refunding existing debt is the current trend!**

### New Money vs. Refunding 10-Year Trend

![Graph showing the trend of new money and refunding from 2005 to 2014](chart.png)

- **New Money**
- **Refunding**
- **Linear (New Money)**
- **Linear (Refunding)**
NJHCFFA by the Numbers

42 Years of financings
180 Organizations financed
$20,000,000,000 in bonds issued

Annual Authority Financings 1972-2014

Total Annual Financings

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

On May 13, 2014, the NJHCFFA closed on a $16,148,000 direct placement of bonds on behalf of the Deborah Heart & Lung Center. The proceeds of the issuance were used to effectuate the current refunding and redeeming of all outstanding Deborah Heart & Lung Center Revenue Bonds, Series 1993 bonds; the funding of a debt service reserve fund for the Series 2014 bonds; and the payment of certain costs incidental to the issuance and sale of the Series 2014 Bonds. The transaction was a direct placement with Siemens and resulted in net present value savings (NPV) of $1.32 million or 7.47% of the refunded bonds. The all-in TIC for this transaction was 4.637%.

CentraState Medical Center

On August 14, 2014, the Authority approved the issuance of $47,940,000 in bonds for CentraState Medical Center. The proceeds of the Series 2014 Bonds will be used by CentraState to refund the Authority’s Series 1998 bonds and will provide over $10,000,000 for capital improvements, including: the construction and equipping of a new information technology and data center, as well as the women’s center; and, make other renovations to the Medical Center’s facilities in the Freehold campus. The Bonds were issued in three series, and privately placed with TD Bank, N.A. and Siemens Financial Services Corp.

- $29,810,000 Series 2014A Bonds: the proceeds of which will be used to currently refund and redeem the Medical Center’s Series 1998 Bonds. The bonds were privately placed with Siemens, with an all-in TIC of 3.58%.

- $8,190,000 Series 2014B Bonds: the proceeds will be used to currently refund and redeem the remainder of the Medical Center’s outstanding Series 1998 Bonds. The bonds were privately placed with TD Bank with an all-in TIC of 3.54%.

- $10,090,000 Series 2014C Bonds: the proceeds of which will be used for the construction and equipping of the new information technology and data center as well as other capital improvements to the Medical Center’s facilities. The bonds were privately placed with TD Bank with an all-in TIC of 4.31%.

- The refunding of all of the outstanding Series 1998 Bonds through the issuance of the Series 2014A & B Bonds produced approximately $3.7 million in net present value (NPV) savings.
Robert Wood Johnson University Hospital

On September 10, 2014, the Authority closed on an $85,925,000 issuance of bonds on behalf of RWJUH. The proceeds of the bonds were used primarily to repay loans made to RWJUH and to retire Somerset Medical Center’s Series 2003 and 2008 Bonds tied to their recent merger with RWJUH. The bonds were comprised of two series: a fixed rate series approximating $55 million and a $30 million variable rate series. JPMorgan served as Senior Manager on the fixed rate bonds and sole book-runner on the variable rate bonds. The all-in TIC on the fixed rate bonds with a premium structure of 5% was 4.36%; however, when factoring in the variable rate bonds with an interest rate of 0.033%, the all-in TIC was 3.94%.

AtlantiCare Regional Medical Center

On September 24, 2014, the NJHCFFA closed on a $60,000,000 direct placement of bonds on behalf of AtlantiCare Regional Medical Center. The proceeds of the issuance were used to construct a new two story addition that will house same day surgery suites, a post anesthesia care unit and an expanded parking area; construct three new operating rooms; renovate several areas of the facility including: the sterile processing department, operating room support areas, the intensive care unit, upgrades to existing operating rooms; and the payment of certain costs incidental to the sale of the Series 2014 Bonds. The bonds were placed with TD Bank and have an interest rate of 2.64% and mature March 1, 2042. The transaction saved AtlantiCare an estimated $3,324,174 on a present value basis compared to traditional taxable financing.
Barnabas Health

On December 3, 2014, the NJHCFFA closed on $129,925,000 of publicly issued bonds on behalf of Barnabas Health. The proceeds of the issuance were used to: refund the currently outstanding (GNMA Collateralized Taxable Revenue Bonds) Series 2012 Bonds originally issued by Jersey City Medical Center, an affiliate of Barnabas Health, and the payment of certain costs incidental to the sale of the Series 2014 refunding bonds. The transaction was structured with two term bonds, with both term bonds maturing on July 1, 2044, and with interest yields of 3.98% and 4.33%, respectively.

Hunterdon Medical Center

On December 23, 2014, the NJHCFFA closed on over $70 million of bonds on behalf of Hunterdon Medical Center. The following series of bonds were issued:

• $42,735,000 Series 2014A: the proceeds of which were used to advance refund the Authority’s Hunterdon Medical Center Series 2006A Bonds, currently refund the Authority’s Hunterdon Medical Center Series 2009 Bonds, and finance an unfunded portion of the Medical Center’s Cardiovascular Expansion Project. The bonds were issued as a fixed rate, public offering with an all-in TIC of 4.33% and maturing on July 1, 2045.

• $16,260,000 Series 2014B: the proceeds of which were used to advance refund the Authority’s Hunterdon Medical Center Series 2006B Bonds. The bonds were issued as a fixed rate of 2.44% private placement with TD Bank and mature on December 1, 2029.

• $6,360,000 Series 2014C: the proceeds of which were used to currently refund the Authority’s Hunterdon Medical Center Series 2009 Bonds. The bonds were issued as a variable rate private placement with TD Bank and mature on December 1, 2019. The all-in TIC was 3.07%

• $4,935,000 Series 2014D: the proceeds of which were used to refinance a taxable loan on the Medical Center property as part of a restructuring plan. The bonds were issued as a variable rate private placement with TD Bank and mature on December 1, 2034. The all-in TIC was 3.50%.
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

Ronald S. 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

Recent Retirements:
Suzanne K. Walton, Director of Project Management on May 1, 2015, after 28 years of service
Emmerson E. Sullens, Network Administrator on May 1, 2015, after 15 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 New FQHC Loan Program

The NJHCFFA has increased the scope of the FQHC 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.
**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 180 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.

**2014 Refundings vs. New Money**

- **Refunding**: $335,353,000
- **New Money**: $98,750,000
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