Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on November 21, 2013 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following ***Authority Members*** *were in attendance:*
Bill Conroy, Designee of the Commissioner of Health (Chairing); Mary Ann Kralik, Designee of the Commissioner of Banking & Insurance; Dr. Munr Kazmir, Public Member; and Elisa Charters, Public Member (via telephone).

The following ***Authority staff members*** *were in attendance:*
Mark Hopkins, Stephen Fillebrown, Ron Marmelstein, Suzanne Walton, Michael Ittleson, Linda Hughes, Carole Conover, Bill McLaughlin, Carl MacDonald, Taryn Jauss, Ellen Lieber, Marji McAvoy, Debra Coons, Jessica Lucas, and Esteban Cabrera.

The following ***representatives from the State and/or the public*** *were in attendance:*
Cliff Rones, Deputy Attorney General; Peter Simon, Governor's Authorities Unit; Ryan Feeney, Treasury; Gail Kosyla of Hunterdon Medical Center; Erica Craner of Marsh USA; Safi Najdawi and Brian Carter of Wells Fargo; Jan Blazewski of Raymond James; Dr. James Kostinas of David Kostinas Associates; and via telephone: Tracy Froelich of Marsh USA; and Bistra Stankov of AIG.

CALL TO ORDER

Executive Director Mark Hopkins called the meeting to order at 10:05 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 23, 2013 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

Mr. Hopkins suggested that in the absence of the Authority's Chairperson, and as the Vice Chair was participating by phone, a Chair pro tem should be named. Dr. Kazmir nominated Bill Conroy to serve as Chair pro tem for the November 21, 2013 meeting and Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-34

NOW, THEREFORE, BE IT RESOLVED, that, in the absence of the Authority's Chairperson and Vice Chairperson, Bill Conroy will serve as the chair pro tem for the November 21, 2013 Authority meeting.

1. **APPROVAL OF MINUTES**
   a. **<u>October 24, 2013 Authority Meeting</u>**

Minutes from the Authority's October 24, 2013 meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Ms. Kralik seconded. The vote was unanimous and the motion carried.

2. **BOND SALE REPORT**
   <u>Virtua Health</u>

Ms. Suzanne Walton informed the Members that on Tuesday, November 19, the Authority and Morgan Stanley priced Virtua Health's $140,020,000 fixed rate bond issue. The bonds, which were rated A/A+ by S&P and Fitch, will be used to currently refund the remaining portion of the Authority's Series 1998 bonds and refund a portion of the Authority's Series 2009A Bonds Issue that are currently callable in 2014.

An investor call with institutional firms was held on Monday to kick off the pricing. Thirteen firms participated on the call and an additional 13 firms accessed the presentation link later that day. Following discussions with the borrower, their financial advisor and all the managers, the underwriting team suggested a retail order period on Tuesday to begin the formal marketing period followed by an institutional sale on Wednesday. The transaction would be structured with serial bonds from 2016 to 2029; the earlier maturities in 2016 through 2023 and a portion of 2029 maturity would be set up for retail investors.

Two hours into the retail order period, the group had received over $165 million of retail orders, predominately professional retail. Morgan Stanley, in consultation with the underwriters, the Authority, Virtua and their financial advisor, decided to accelerate the pricing schedule and go out with an institutional order period given the momentum and likelihood of significant institutional demand. Before entering the institutional order period, Morgan Stanley lowered yields by 5 basis points in most maturities between 2016 and 2023 and lowered yields by 10 basis points in 2024 and 2029. During the institutional order period, the underwriters received an additional $590 million of orders for the remaining bonds, which was more than $750 million of orders in the aggregate. Certain maturities were oversubscribed 5 to 8 times. Due to the volume and quality of orders, the underwriter recommended lowering yields by up to 5 basis points between 2016 and 2023 and by up to 8 basis points on certain maturities between 2024 and 2029. Morgan Stanley made an offer to underwrite the bonds at these levels, and the Authority gave the verbal award. Yields on the bonds ranged from .88% on the 2016 maturity to 4.45% on the 2029 maturity.

To provide context as to how well this credit was received in the marketplace, when the pricing process began on Tuesday morning, the proposed interest rate scale reflected net present value savings of $13.9 million or 8.70% of the refunded bonds and a true interest cost of 4.17%. At the end of the day, Virtua achieved an additional $2.3 million in net present value savings, totaling $16.2 million or 10.2% of the refunded bonds and an all-in true interest cost of 4.01%. A Bond Purchase Contract was signed yesterday and closing on the bonds is scheduled for the week of December 16, 2013.

Mr. Conroy reminded the Members that the presentation was for informational purposes only and no action was required.

3. INFORMATIONAL PRESENTATION
<u>Hunterdon Medical Center</u>

Mr. Carl MacDonald introduced Gail Kosyla, Chief Financial Officer of Hunterdon Medical Center.

Mr. MacDonald informed the Members that Hunterdon Medical Center is a not-for-profit community teaching hospital located near Flemington, New Jersey. The Medical Center currently maintains 178 acute care beds and is the only acute care hospital located in Hunterdon County.

Hunterdon Medical Center has requested that the Authority consider the issuance of approximately $25,000,000 of bonds on its behalf, the proceeds of which are expected to: finance and reimburse the Medical Center for costs of a capital project including the construction and equipping of a Cardiovascular and Vertical Expansion Project, including the core shell fit-out of certain existing floors, and the addition of two floors on the Medical Center's west wing which shall house a new cardiology unit and new patient rooms; and pay related costs of issuance.

The transaction is expected to be structured as a private placement. The Medical Center is currently rated A minus by Standard & Poor’s and A by Fitch. It is expected that these ratings will not change as a result of this issuance.

The annual financial information for the Medical Center presented in the mailed materials indicates that Days Cash on Hand decreased from 180.09 days for 2011 to 153.59 days for 2012. Although this represents a slight decrease, the days cash on hand position remains stronger than the 2012 statewide median of 80.45 days. The hospital’s operating margin for 2012 was at 3.82, also stronger than the 2012 statewide median of 1.98%. Debt service coverage is solid at 6.66 times as was the cushion ratio at 26.29 times for 2012. Days in Accounts Receivable were 48.20 days versus the statewide median of 42.13 days and FTE’s per adjusted occupied bed were 6.52 FTE’s versus a statewide median of 5.40. Unaudited six-month interim financial statements indicate continued solid performance.

The Medical Center’s Annual Inpatient Utilization Trends for the period 2011 to 2012 are stable, showing no material deviation in admissions and inpatient days. Length of stay has increased modestly and the occupancy rate on licensed beds has risen slightly. Utilization statistics derived from interim financials indicating six-month performance are consistent with year-end 2012 results.

Mr. MacDonald reminded the Members that the Informational Presentation required no action and introduced Mr. Steve Fillebrown to review the Financial Projections, which were included in the mailing materials.

Mr. Fillebrown informed the Members that the projection period is for 2014 through 2018, and projections show positive operating margins ranging from 2.5% to 3.1% and stable profit margins from 3.0% to 3.7%, which are conservative in comparison to recent performance of

Hunterdon. Cash on hand ranges from 168 days to 193 days, which is relatively steady in early years because of capital spending associated with the project but rises later as spending returns to normal levels. Days in accounts payables are very low and stable at 38 days, which is consistent with recent history. Days in accounts receivable are constant at 45 days, which is also consistent with recent performance. Debt service coverage ration goes from 5.0 to 6.7 during the forecast period, which is actually lower than recent performance because of additional debt and slightly lower projected operating margins. New borrowing increases debt to revenue ratio to about 25%, but it is still below the statewide median of about 31%. In short, the projections predict good financial performance generally consistent with the Medical Center's recent performance.

There were key assumptions used in the projections. In regards to volume, inpatient admissions are assumed to increase 0.5% each year, attributable to exclusive preferred tier contract with Blue Cross and an aging population. Length of stay is projected to decline gradually from 4.7 to 4.5 days as increased intensity is expected to negate some of the length of stay reduction initiatives. Outpatient surgery and outpatient volume is projected to increase 2%, as there will be expansion into the secondary market, but some erosion of the market share due to competition. ER volume is projected to decline 1% due to focus on reducing unnecessary visits, which is different than what we typically see.

In regards to expenses, total salary expense is projected to increase by 4% in 2014, then 1 to 3% between 2015 and 2018. The growth is driven by across the board salary increases of 2-3% per year, somewhat offset by modest declines in FTEs through attrition. Fringe benefits are projected to start at 28% of salaries, but drop to about 22% after restructuring of certain benefits. Supplies and other expenses are expected to increase by 7% in 2014 as a result of new expenses associated with the project and by 1.5% to 4% in subsequent years depending on volume changes.

In regards to revenues, net patient service revenue rises by 4.7% in 2014, 3.7% in 2015, then 2-3% in subsequent years, and assumes an overall price increase of 3%. Minimal increases were assumed for Medicare at less than 1%. Commercial payer increases were based on contracted rates. The smaller increases in later years are partially attributable to the decline in funds from "Meaningful Use." There is expected slight growth in Medicare and managed care, and a drop in self-pay, Charity Care and Medicaid.

Mr. Conroy asked if the cardiac program was parallel to the projections or if those figures were greater since Hunterdon is investing so much in cardiac. Ms. Kosyla responded that most of the cardiac projections are based on cardiac rehab. The hospital is hoping that the State comes out with its requirements for the expansion of cardiac catheterization, so it can include some of those volumes in future years, but those have not been included at this point in order to be conservative. She confirmed that Hunterdon currently provides primary angioplasty and electrophysiology.

Mr. Hopkins noted that Hunterdon had not seen a volume decline as has been seen in most of the State, and some of that was attributable to observations, and asked Ms. Kosyla to provide more detail on the volume of observations Hunterdon has had in the past two to three years. Ms.

Kosyla stated that there had been a significant volume this year, and there has been growth in observations over the past couple of years, mostly due to a more conservative interpretation of what is going on. Medicare just passed a new rule beginning October 1 that offers more clarity on anticipated observations and there has been a bit of a reversal. Hunterdon is hoping that because of the rule change the pendulum swings back the other way. Projections continue what it had seen through September since it didn't have those results when the projections were compiled. Hunterdon is conducting education around the new policy and are hoping to see a swing back.

Mr. Conroy reminded the Members that the presentation was for informational purposes only and no action was required.

4. DIRECTORS AND OFFICERS LIABILITY RENEWAL

Mr. Michael Ittleson introduced Erica Craner, Senior Vice President from broker Marsh USA, who was present in person; as well as Tracy Froelich, Assistant Vice President from Marsh USA, and Bistra Stankov, underwriter from AIG who were both participating by phone.

Mr. Ittleson informed the Members that the Authority's expiring Directors and Officers Liability policy, also known as "D & O," is with AIG, formerly known as Chartis. The policy was a one-year policy that had a $20 million limit of liability and a deductible of $175,000. The premium was $71,385 with a NJ surcharge of $645 for a total cost of $72,030.

For the renewal, the broker approached AIG, ACE, Axis and Chubb. Axis and Chubb declined to quote on the $20 million policy because they felt they could not be competitive with the current program and/or did not meet their underwriting guidelines. ACE could only offer a $5 million limit of liability. That left AIG, which offered a $20 million limit with a deductible of $175,000 for a premium of $76,440 plus a NJ surcharge of $688 for a total of $77,128 or a 7.08% increase from the expiring premium. AIG also offered a $15 million and $10 million limit, but Staff feels more comfortable with a limit of $20 million. The increase in the premium is the first significant increase in the past five renewal periods. The expiring policy increased minimally by 0.50% while the other renewals premiums decreased of 5.90%, 6.77%, 1.84% and 0.52%. Based on information from the Authority's broker, market data from the second quarter of 2013 shows average D&O increases from 5% to 10% and Employment Practices Liability increases from 10% to 20%. It should be noted that during the renewal in 2007, the Authority went from a deductible of $250,000 to $175,000 with a premium of $83,736. So, even with the 7.08% increase, the total cost for the 2013 renewal is less than that first premium at the new deductible level. Staff also looked at having a primary policy of $15 million and an excess policy of $5 million but the combined premiums would be more than that of the $20 million policy offered by AIG.

Staff is comfortable with the information that the broker provided and there are sufficient funds in the insurance line item in the Authority's 2013 budget to pay for the increase in the premium. Therefore, staff requested the Members' consideration in approving the renewal of the D&O

policy with AIG with a $20 million limit of liability and a deductible of $175,000 for a premium of $76,440 and a NJ surcharge of $688.00 for a total of $77,128. The policy covers the period December 18, 2013 through December 18, 2014.

In response to a question from Ms. Kralik, Mr. Ittleson noted that there had been no change in policy language.

Dr. Kazmir made a motion to approve the renewal of the D&O policy with AIG. Ms. Charters seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-35

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the renewal of the D&O policy with AIG.

5. FINANCE COMMITTEE REPORT

Dr. Munr Kazmir, Chair of the Finance Committee, informed the Members that the Finance Committee met on November 6, 2013 and again in the morning before the Authority meeting to discuss the Authority's proposed 2014 budget. Today the committee will recommend this budget for the Members' approval.

The proposed 2014 cash budget includes an estimated income of $4.05 million, which is a 6.32% increase. Estimated expenses are budgeted at $3.62 million, which is a decrease of 4.06%. The budget includes revenues over expenses of $429,000.

In the past nine years, from 2005 to 2013, total expenses increased by only 4.28%, while the average CPI for New York City & Philadelphia increased 22.25%. In that same period, salaries have decreased 0.28%. Salaries accounted for $1.619 million in 2005 and are projected to be $1.615 million in 2013. For the sixth year in a row, the proposed budget does not include any cost of living or merit-based salary increases. If the Administration reconsiders that position, the Finance Committee will consider an amendment to the budget, which would then be presented at a future Authority Meeting.

Dr. Kazmir applauded Staff's due diligence to keep costs to a minimum as well as Staff's ability to produce accurate budgets year after year. He thanked Michael Ittleson, Ellen Lieber, and all others on the staff.

Mr. Conroy asked if the committee's work had any internal review outside of the Authority, specifically by the Governor's Authorities Unit or the Commissioner of Health. Mr. Hopkins responded that the budget is sent eight days ahead of the Finance Committee meeting to the Governor's Authorities Unit and the Commissioner of Health.

As there were no further questions on the proposed budget, Dr. Kazmir made a motion to adopt the 2014 Authority Budget as presented. Ms. Charters seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-36

> **NOW, THERFORE, BE IT RESOLVED,** that the Authority hereby adopts the proposed 2014 Authority Budget as recommended by the Finance Committee.

6. APPROVAL OF EXPENSES

Mr. Conroy referenced a summary of Authority expenses and invoices. Dr. Kazmir offered a motion to approve the bills and to authorize their payment; Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-37

> **WHEREAS,** the members of the Authority have reviewed the memoranda dated November 13, 2013, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $2,134.00 and $12,546.78 respectively, and have found such expenses to be appropriate;
>
> **NOW, THEREFORE, BE IT RESOLVED,** that the members of the Authority hereby approve all expenses as submitted, and authorize the execution of checks representing the payment thereof.

7. STAFF REPORTS

Mr. Conroy thanked Staff for the Project Development Summary, Cash Flow Statement and Legislative Advisory reports.

Mr. Hopkins then presented his Executive Director's report, noting the following items to Members:

1. In preparation for the Authority's retreat scheduled for March, Ms. Charters has made a recommendation that educational materials be presented to the Board ahead of time so they can be more knowledgeable on particular issues facing the Authority and its borrowers. In response to this good suggestion, Mr. Hopkins has spoken to Mr. Brian O'Neill from the Department of Health and Mr. Greg Lovell from the Department of Human Services about making presentations at the January Authority meeting. Mr. O'Neill will present on Charity Care and

DSRIP and Mr. Lovell will make a presentation on Medicaid and how Medicaid payments fund the Authority's borrowers.

2. The Authority's $150 million financing of University Hospital, along with the other financings to effectuate the New Jersey Medical and Health Sciences Education Restructuring Act, which together totaled approximately $1 billion, have been named by The Bond Buyer as the Deal of the Year for Healthcare Financing and is a finalist for overall Deal of the Year, which will be announced at a ceremony held at the Waldorf Astoria on December 5.

3. Hospital & Other News

a. The New Jersey Hospital Association released its report on the contributions hospitals make to the State of New Jersey. This year it was approximately $20.4 billion.

b. The Leapfrog Group's national ratings of hospital safety were recently released with New Jersey hospitals ranking ninth in the nation. A copy of the article and the ratings for all New Jersey hospitals was provided.

c. Capital Health and Princeton HealthCare System were recognized by the Joint Commission, an agency that accredits hospitals, for being among the best care for heart attacks, heart failure and surgical care. Capital was additionally cited as a top performer in stroke care and Princeton was cited for pneumonia care.

d. An Asbury Park Press article was provided explaining some of the different hospital rating entities.

e. Hackensack University Health Network was named as one of the "official health service providers" for the Super Bowl which is taking place at MetLife Stadium in East Rutherford in early February 2014. The other providers are New York-Presbyterian and the Hospital for Special Surgery, both located in New York City.

f. St. Luke's Warren was the subject of an article about its continued financial improvement since its acquisition by the St. Luke's Health System in early 2012.

g. Adventist HealthCare, the Maryland based owner of Hackettstown Regional Medical Center, has announced it expects to sign an agreement to sell Hackettstown to another health care system by the end of this year.

h. Geisinger Health System has announced it has entered into a letter of intent to affiliate with AtlantiCare Health System. Geisinger operates several hospitals and other health care entities in Pennsylvania and also has an affiliated health insurer.

i. Dr. Richard Gilfillan has been named as the new President and CEO of CHE Trinity Health. Dr. Gilfillan stepped down as the director of the Center for Medicare and Medicaid Innovation in June. Prior to that, he was the CEO of the Geisinger Health Plan, an insurance affiliate of the Geisinger Health System headquartered in Danville, PA. Dr. Gilfillan will be replacing Judy Persichilli who was the interim President and CEO of CHE Trinity since the merger of the two systems occurred earlier this year. Prior to that, Ms. Persichilli was the President and CEO of Catholic Health East.

j. Kennedy Health System announced that Joseph Devine is its new President and CEO and also named Kim Alliano as Vice President of Finance. Since July of this year, Mr. Devine has been President and CEO of the three Kennedy hospitals but will now oversee the entire system. He has been with Kennedy for over 25 years holding several different executive positions. Ms. Alliano is a CPA who has been with the Kennedy system for over 20 years.

k. A CNBC article about concerns of the municipal bond market "blowing up" cites recent concerns about Detroit's bankruptcy and Puerto Rico's instability for recent sell-offs of municipal bonds by mutual funds. The article also touches on the proposals to limit or eliminate the tax-exemption for municipal bonds.

l. The Securities and Exchange Commission for the first time fined an issuer of municipal debt for misleading investors about the financial viability of an ice rink. The Greater Wenatchee (WA) Regional Events Center Public Facilities District was fined $20,000 and Piper Jaffrey, the bank that arranged the sale of the debt, paid a $300,000 fine. Additionally, the development company for the project was fined. Both the developer's president and Piper Jaffrey's top banker were fined as individuals.

m. In addition to penalizing hospitals with higher than normal readmission rates by withholding up to 2% of Medicare payments this year, under the Affordable Care Act hospitals are also being penalized or incentivized by increases or decreases of up to 1.25% of its Medicare payment based on quality, safety and health indicators pursuant to what Medicare refers to as its "Hospital Value-Based Purchasing Program." Nationwide, 1,231 hospitals will be seeing a payment increase and 1,451 hospitals will see a payment decrease. In New Jersey, 31 hospitals or systems will receive an increase, 30 will receive a decrease and one will remain unchanged. As with the readmission penalty, which will top out at 3%, incentives and penalties will increase in the next three years until they reach 2%.

n. Mr. Hopkins provided Authority Members with the study he referred to last month that was performed by IHS Global, Inc. and commissioned by the National Association of Health and Educational Facilities Finance Authorities, the trade group to which the Authority belongs. The study analyzed the negative economic impact of capping or eliminating the tax-exemption on municipal bonds.

o. On November 12, Capital Health Regional Medical Center in Trenton completed the expansion of its Emergency Department.

p. The following ratings actions were taken in the last month:

(i) Fitch assigned an A+ rating to the 2013 bonds to be issued and all outstanding bonds issued by the Authority on behalf of Virtua Health, raising its outlook from stable to positive. Fitch cited Virtua's strong operating performance, solid market position, manageable capital needs and growing liquidity for the rating.

(ii) Fitch affirmed the BBB+ rating on approximately $890.5 million of bonds issued on behalf of Barnabas Health, most of which was issued by the Authority, and the outlook remains stable.

q. Numerous other articles were provided regarding changes in the health care industry being spurred on by the Affordable Care Act, both in New Jersey and nationwide, including: (i) the increasing difficulty finding NJ doctors who will accept Medicaid; (ii) the difficulty NJ insurers are having with President Obama's administrative fix to the Affordable Care Act allowing patients to keep their insurance; (iii) the expected shortage of primary care medical residents to serve New Jersey hospitals; (iv) Horizon Blue Cross Blue Shield's new health plan that offers deeply discounted co-payments to patients who choose to receive their medical treatment from accountable care organizations or patient centered medical homes; (v) the concerns of urban hospitals about Medicaid cuts scheduled for January 1, 2014 along with the inability of some people to register for expanded Medicaid or insurance on the health care exchange in time to counter-balance the Medicaid cuts; (vi) Becker's Hospital Review naming of the Atlantic Accountable Care Organization as among its 2013 list of the "100 Accountable Care Organizations to Know" in the nation; (vii) efforts of New Jersey hospitals' to reduce emergency room visits; and an explainer of Accountable Care Organizations.

r. The CHAPA and Certificate of Need regulatory processes are continuing for Prime Healthcare Services acquisition of St. Mary's and St. Michael's. Other than that, there is nothing further to report on those two hospital transactions.

4. Mr. Hopkins introduced Debra Coons, the new Assistant Account Administrator at the Authority. Debra has a bachelor's degree in accounting from Goldy-Beacom College in Delaware and 20 years of experience in accounting and bookkeeping. Most recently, she worked as Assistant to the Chief Trust Officer at the New York Private Trust Company and as an Accounts Payable Clerk/Assistant to the Controller/Office Manager at Total Trax, Inc.

5. Finally, nine Authority staff members and Ms. Charters attended The Bond Buyer's Healthcare and Higher Education Super Conference in New York at the end of October. The topics related to healthcare included a Market Roundtable, Taxable Financing, Alternative Financing, Accountable Care Organizations, Insurance, Mergers & Acquisitions, Municipal Bonds Tax Exemption and Pension Risks. Mr. Hopkins provided the relevant highlights from a few of these discussions:

a. Market Roundtable - Some large bond purchasers are holding a smaller amount of healthcare bonds due to concern about financing risks to health care providers from the pressure to lower payments and the federal budget deficit. Others are concerned about pension risks. There have been increased requests by investors for annual investor calls and some are testing hospitals' sensitivity to expected cuts in Medicare and Medicaid. There has been a marked increase in direct purchases of bonds by banks that have generally been less demanding in terms of covenants, security demands and other terms. Holders of bonds issued through public offerings are demanding the terms of bonds issued through bank direct purchases so they are not blind-sided by potential security creep such as springing requirements to provide collateral, which may diminish the public bondholders' collateral.

b. Taxable Bonds - Both hospitals and higher education not-for-profit entities have issued taxable bonds for projects. The panelists indicated that they were for very limited purposes, such as where taxable bonds were cheaper because of an unusual yield curve or for taxable projects. Underwriters, however, noted that there have been 35 taxable health care bonds issued since 2011 totaling over $10 billion. They emphasized the shorter time needed to issue taxable bonds, the ability to provide hospitals with more flexibility for the use of proceeds and the larger market of taxable bond purchasers. While slow to adapt, the taxable bond market is starting to become more flexible with some consideration of ten-year calls at a premium, ability to have sinking fund redemptions and purchases in lots of less than $250,000.

c. ACOs – Some think ACOs are meeting with limited success and will not be as prevalent as first thought. Others believe that only a few vertically integrated ACOs will exist with most initially being partially integrated. There are several alternatives to ACOs including shared risk, bundled payments and capitation models.

d. Insurance – The speaker was the head of North Shore LIJ's affiliated insurance product which has shown tremendous initial success due to the expanse of the system, which includes doctors, hospitals and ambulatory facilities in a wide swath of a highly populated area. Their insurance product limits insureds to providers within the system but provides convenient one call access and low rates.

e. Risks to Tax-Exemption - The speakers expressed their opinion that it was unlikely that there would be any change to tax-exempt bonds from this Congress, but that eventually they believed there will be significant changes to the tax code affecting the tax-exempt status of bonds in one way or another. The administration has proposed capping the exemption on tax-exempt bonds at 28%. It has also proposed the creation of America Fast Forward bonds, which are very similar to Build America Bonds. The bonds would not be tax-exempt but would provide a 28% subsidy for private activity bonds and a 50% subsidy rate in 2014 and 2015 for governmental and 501(c)(3) bonds. Again, this is just a proposal and will probably not be enacted by this Congress.

As there was no further business to be addressed, following a motion by Dr. Kazmir and a second by Ms. Kralik, the Members voted unanimously to adjourn the meeting at 10:43 a.m.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY MEETING HELD NOVEMBER 21, 2013.

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Carole A. Conover, Assistant Secretary