

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

July 19, 2017

The State of Connecticut Health and Educational Facilities Authority met at 1:30 p.m. on Wednesday, July 19, 2017.

The meeting was called to order at 1:32 p.m. by Dr. Peter Lisi, Chair of the Board of Directors of the Authority. Those present and absent were as follows:

PRESENT: John M. Biancamano, Vice Chair  
Elizabeth C. Hammer  
Barbara B. Lindsay, Esq.  
Dr. Peter W. Lisi, Chair  
Sarah K. Sanders (Rep. Honorable Denise L. Nappier, State Treasurer)

ABSENT: Patrick A. Colangelo  
Robert S. Dakers (Rep. Honorable Benjamin B. Barnes, OPM Secretary)  
Dr. Estela R. Lopez  
Barbara Rubin  
Mark Varholak

ALSO PRESENT: Jeanette W. Weldon, Executive Director  
Denise Aguilera, General Counsel  
Krista Johnson, Junior Accountant/Analyst  
Daniel Kurowski, Financial Analyst, Arbitrage  
Eileen MacDonald, Sr. Transaction Specialist  
JoAnne N. Mackewicz, Controller  
Michael F. Morris, Managing Director  
Cynthia D. Peoples, Managing Director  
Debra M. Pinney, Manager of Administrative Services  
Jennifer Smyth, Legal Services Specialist  
of the Connecticut Health and Educational Facilities Authority

GUESTS: Michael Andreana, Esq., Pullman & Comley, LLC  
 Daniel Connelly, Director, Fairmount Capital Advisors, Inc.<sup>1</sup>  
 Terri DiPietro, Director, The Center for Behavioral Health, Middlesex Hospital  
 Alan Derench, Intern, State of Connecticut, Treasurer's Office  
 Stella Gittens, Senior Director, PFM Financial Advisors LLC<sup>2</sup>  
 Laurie Hall, Esq., Hawkins, Delafield & Wood LLP  
 Shelby Lobitz, Analyst, Acacia Financial Group, Inc.<sup>3</sup>  
 Thomas S. Marrion, Esq., Partner, Hinckley, Allen & Snyder LLP  
 Joshua Nyikita, Managing Director, Acacia Financial Group, Inc.<sup>4</sup>  
 David Orise, Vice President, Century Bank<sup>5</sup>  
 Edward Samorajczyk, Jr., Esq., Robinson + Cole LLP  
 Carl J. Schiessl, Director, Regulatory Advocacy, Connecticut Hospital Association  
 Namita Shah, Esq., Day Pitney LLP  
 Molly Sullivan, Intern, State of Connecticut, Treasurer's Office  
 Ann H. Zucker, Managing Partner, Carmody Torrance Sandak & Hennessey LLP

**MINUTES**

Dr. Lisi requested a motion to approve the minutes of the May 17, 2017 meeting of the Board of Directors, which was included in the meeting materials. Mr. Biancamano moved for approval of the minutes, which was seconded by Ms. Hammer.

Upon roll call, the "Ayes," "Nays" and "Abstentions" were as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
John Biancamano Elizabeth Hammer Dr. Peter Lisi Sarah Sanders	None	Barbara Lindsay

**PAY FOR SUCCESS PROJECT – REDUCING INAPPROPRIATE USE OF EMERGENCY DEPARTMENTS**

Ms. Weldon introduced Ms. Terry DiPietro, the Director for Center of Behavioral Health at Middlesex Hospital and Carl Schiessl, Director, Regulatory Advocacy at the Connecticut Hospital Association, the guest speakers presenting the impact of care coordination among providers pertaining to the inappropriate use of emergency departments.

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<sup>1</sup> Mr. Connelly participated in the meeting via conference telephone that permitted all parties to hear each other.  
<sup>2</sup> Ms. Gittens participated in the meeting via conference telephone that permitted all parties to hear each other.  
<sup>3</sup> Ms. Lobitz participated in the meeting via conference telephone that permitted all parties to hear each other.  
<sup>4</sup> Mr. Nyikita participated in the meeting via conference telephone that permitted all parties to hear each other.  
<sup>5</sup> Mr. Orise participated in the meeting via conference telephone that permitted all parties to hear each other.

Ms. Weldon outlined the discussion topics as follows: (1) How the Pay For Success Program works, (2) Community Care Teams, and (3) Next steps. Ms. Weldon reviewed the basic components of the Pay for Success model and discussed the approach in exploring the use of targeted grant programs and/or "social impact bonds" to address specific needs which is consistent with the Authority's Strategic Plan Priority Area 2, "Programs and Services that Meet the Demands of a Changing Market". She also discussed the progress to date that has been made by staff.

Mr. Wasch provided a review of the problem of chronic overuse of emergency departments since 2013 and the benefits of intervention of the Community Care Team's intensive case management. He also identified the structure and function of the Community Care Teams and the measurable outcomes which could provide a considerable savings to the State's Medicaid reimbursements and free up resources in the emergency departments.

Dr. Lisi inquired who brings together all the community care teams and what governing body takes ownership of the CCT's. Ms. DiPietro stated that in the case of the Middlesex Community Care Team, it's Middlesex Hospital. She added that approximately 10 years ago she was involved in a strategy to end homelessness and what was found was that part of that process of what brings the homeless to emergency rooms is the lack of clinical care coordination. That model was applied to what they call their "frequent visitors" in the emergency room. The Community Care Team model brings together providers who are already doing this work and allows the team to work together to meet the needs of the patient.

Mr. Biancamano asked how many patients Middlesex County had before and after the implementation of the community care teams. Ms. DiPietro stated that once they started the initiative, in their first year, they saw a substantial reduction in emergency room visits of approximately 62%. This involved patients that typically come to the emergency room 80-90 times a year. Further discussion ensued.

Ms. DiPietro reported that two years ago the legislature budgeted funds to facilitate statewide expansion of CCT's but funding was rescinded due to budget constraints. Given the experience in Middlesex County at that time, it was believed that if implemented statewide, this model could save the State approximately \$21 million in Medicaid costs. The CCT team meetings held once a week allow for communication and relationships in coordinating needed services.

Mr. Schiessl discussed the three roles that need to exist in every community care team to make them work. One role is the administrator of the team. HIPAA compliant release-of-information forms need to be managed and team meetings coordinated. A discussion ensued.

Mr. Schiessl stated that the second role is the Healthcare Promotion Advocate. This person interacts with the patients in the program and ensures the patient gets connected to the care they need. He added that CCT's are a form of integrated care. Lastly, the third role that's extremely important is that the Care Plan gets developed by the CCT. Typically, there needs to be medical oversight with the development of that plan and this is where the emergency medicine physicians come into play. The care plans are carefully crafted by the key providers in order to meet the needs of the patients.

Mr. Schiessl reported that there are 27 acute care hospitals in Connecticut with each having an emergency department. There are six free standing emergency departments around the State.

There is interest in better managing the patient population in each region of the State where there is a hospital. The patient mix in each county is different. This model is adaptable to meet the patient needs in the various counties of the State. He stated that the Program Review and Investigations Committee endorsed the concept of the CCT model back in 2013, however due to budgetary constraints, funding was not provided for statewide implementation. Mr. Wasch added that CCT's are operating in a number of states.

Ms. Weldon stated that she is seeking Board consensus to undertake a feasibility study in regard to Community Care Teams to see if this project is feasible for financing through a Pay For Success structure. She explained the key components of the study: Landscape Analysis, Data Assessment and Baseline Analysis, Assessment of Service Provider Readiness and an Outcome Analysis. To move forward with the feasibility study, they would bring together a project working group consisting of various agencies, identify relevant data, coordinate the analysis of the data and draft a feasibility study to determine if the Pay For Success program is an appropriate financing vehicle to bring this model into statewide implementation.

Mr. Biancamano inquired if there is State commitment to sharing any of the potential Medicaid savings in order to repay a lender if a Pay For Success model is used. A discussion ensued. Ms. Weldon stated that a critical first step would be to approach the Office of Policy & Management in that regard. Further discussion ensued.

Mr. Wasch pointed out that the State has already committed to another Pay For Success project, with apparent willingness to share the savings in accordance with that financing structure. There was board consensus on moving forward with the feasibility study, with acknowledgement that OPM support should be ascertained as a first step.

## **CURRENT AND PENDING BOND ISSUES**

### **Financing Forecast and Summary of Financings**

Ms. MacDonald reported on two new issues: Sacred Heart University for approximately \$192 million to refinance their 2003 Series F issue and their 2012 Series G issue, and possibly Series H, which will be a combination of unenhanced and private placement structures. The preliminary information will be presented in September. Ocean Community YMCA Issue, Series A, will be presented later. This issue is a private placement with the Washington Trust Company for up to \$6 million to finance the renovation and expansion of the Ocean Community YMCA in Mystic, CT.

In the month of June, two closings were held. On June 7, Yale University Issue, Series 2017 A & B closed. The Series A transaction was approximately \$170 million, in which they refunded their 2007 Series Z bonds with a 5-year put at a NIC of 1.50%. Series B was approximately \$224 million, to refund their Series T and X issues, with a NIC of 1.17% with a three-year put. Westover School Issue, Series C & D closed on June 13 for approximately \$18.5 million. Bond proceeds were used to refund their 2007 Series B bonds and included campus renovations. This transaction was a private placement with a NIC of 2.81%.

## **Interest Rate Update**

Ms. Peoples reported on recent market activity, money market rates, economic indices and yield curve trends.

## **Market Rate Update**

Mr. Jandreau provided an update on recent health and education issues brought to market.

## **HOSPITAL SECTOR ANALYSIS REPORT**

Mr. Morris presented the Hospital Sector Analysis Report. He reported that operating performance remains to be a challenge and liquidity metrics are weak; however, the debt portfolio is moderate and the annual debt service burden is manageable. Total inpatient volume continues to decline while outpatient volume experiences a slight increase. The hospital portfolio consists of 44 bond issues totaling \$2.65 billion representing over 32% of CHEFA's total portfolio. There has been an increase in private placements. The Authority's largest issuers are: Yale-New Haven Hospital with approximately \$621 million, Hartford Healthcare approximately \$523 million and Stamford Hospital at approximately \$402 million.

CHEFA has issued over 31 bond series over the past five years totaling over \$1.82 billion, which consisted of 44% in new money issued. The trend of fewer new money transactions most likely will continue in the immediate future.

There are 22 hospitals that have CHEFA debt outstanding, consisting of nine stand-alone hospitals and 11 in-state systems and two with multi-state systems. On October 1, 2016, Waterbury Hospital and ECHN merged with Prospect Medical Holdings, which resulted in the defeasance of \$90 million in CHEFA debt. Lawrence + Memorial Hospital affiliated with Yale New Haven System last September and Charlotte Hungerford and the Hartford HealthCare Board agreed to affiliate pending State and Federal approvals. The multi-state systems consist of Saint Francis and St. Mary's with Trinity Health and also includes Johnson Memorial, Mercy in Springfield and St. Vincent's with Ascension.

The Authority has three stand-alone borrowers that have their own underlying ratings (Hospital for Special Care, Middlesex Hospital and Stamford Hospital). However, with the recent refunding of Hospital for Special Care's debt, their rating will be withdrawn from S&P. In May, Moody's affirmed Hartford HealthCare's rating of "A2", but the Outlook was changed from Stable to Negative. Lawrence + Memorial's rating was downgraded by Fitch last fall from "A" to "A-", with a Negative Outlook. Moody's revised Trinity Health's Outlook last fall from Stable to Negative. Although Bridgeport and Greenwich are members of Yale New Haven Health, they still maintain their own ratings for the debt they have outstanding.

Mr. Morris stated that the operating margin median for the systems compares unfavorably to Moody's overall median. However, the operating margin median for hospitals, compared on an individual basis, was favorable. There were five institutions that had positive operating margins in each of the past five years. Debt service coverage ratios were strong at 3.75 times which median was the highest level over the past five years. Although there were three institutions that were greater than Moody's "A" median, the 2016 median is roughly equivalent to Moody's "BBB"

median. The days cash on hand median declined 7.5% from the prior year and was at its second lowest level in the past five years, and was comparable to Moody's "Below Investment Grade" median.. Cash to debt median was similar to last year, much due to the few new money issuances. Nine institutions improved cash to debt positions from FY 2015 and four institutions; however only four institutions compared favorably to Moody's overall median.

Mr. Morris reviewed utilization trends noting total discharges declined 0.6% from the prior fiscal year and 4.1% over the past five years, with 13 of the 22 hospitals reporting a decline. Due to a decline in the average length of stay, total patient days declined slightly from FY 2015, with the median declining 5.6% and 14 hospitals reported a decline in patient days over the past five years. Ambulatory surgeries increased 1.3% from last year, while 13 hospitals experienced a decline. Total emergency room visits were up .3% from the previous year with 11 hospitals reporting an increase.

Mr. Morris stated that despite no new issuances, the institutions continue to invest in their plant with favorable capital spending ratios. Total pension fund liability has increased over 11% from \$1.4 billion to \$1.6 billion from FY 2015 to FY 2016 and the percentage funded status median is down to 62.8% from 70.5%. The percent that is funded ranged from over 56% to over 84%.

Mr. Morris thanked Ms. Johnson and Ms. MacDonald for assisting in compiling the report.

## **EXECUTIVE DIRECTOR'S REPORT**

Ms. Weldon provided the following updates:

- The United Way targeted grant was modified without changing the basic elements of the grant. The award was to fund the resources for the 211 line to handle substance abuse crisis calls. 211 will handle those calls and be trained by the DMHAS staff but United Way staff will not be handling the third shift of DMHAS' calls, as originally proposed. The United Way proposed to utilize the funding which was allocated to covering the 3<sup>rd</sup> shift to instead provide a NARCAN information access hotline. The original grant proposal also included a recovery coach that was initially going to be going out into the community. The United Way will instead be utilizing the coach to assist the staff in the call center.
- Since CHESLA's May bond transaction closing, they have had approximately \$4.8 million committed to loan funding and \$10.6 million in pending applications. They are on track to be ahead of last year.

## **CHEFA FINANCIAL OPERATIONS**

### **May 2017 Financial Statements**

Ms. Mackewicz reported on the financial statements for the eleven months ending May 31, 2017. Excess revenues over expenses before program related expenses were approximately \$4.1 million and approximately \$2.9 million after program related expenses. The new money issues closed through May were approximately \$157 million, and under budget by approximately \$263 million, and at year-end below budget by approximately

\$171,000. Revenues were approximately \$206,000 over budget year-to-date and expenses were approximately \$183,000 under budget. Notable items are on June 20, CHEFA transferred \$3.5 million to the State of Connecticut, in addition to \$875,000, which leaves the preliminary financials for June 30, 2017 at a loss of approximately \$1.1 million for the year.

## **PLAN AMENDMENTS**

- **Money Purchase Pension Plan, Resolution #2017-11**
- **Dependent Care Assistance Plan, Resolution #2017-12**
- **Health Care Flexible Spending Account Plan, Resolution #2017-13**

Ms. Peoples stated that there is a modification to change the definition of an employee to exclude temporary employees and student interns in the Money Purchase Pension Plan and the three resolutions authorize officers to amend the plans for non-financial, administrative changes and regulatory changes.

A discussion ensued.

The definition of temporary employee was discussed and Ms. Peoples noted that anyone who works more than 1,000 hours is eligible to be a member of the pension plan. Ms. Peoples stated that currently any employee hired would be a member of the pension plan and the intent was to change the definition of employee to exclude temporary employees and student interns. The Board of Directors agreed to the amendments to the plans (Resolutions #2017-11, 2017-12 and 2017-13) with a modification to the resolutions that authorized officers may amend the plans for administrative changes. Ms. Peoples stated that any amendments made to a plan would be reported to the Human Resources Committee.

Dr. Lisi requested a motion to approve the Resolutions #2017-11, #2017-12 and #2017-13 with an amendment to permit administrative changes. Mr. Biancamano moved to approve amended Resolutions #2017-11, #2017-12 and #2017-13 and Ms. Lindsay seconded his motion.

Upon roll call, the "Ayes," "Nays" and "Abstentions" were as follows:

### **AYES**

John Biancamano  
Elizabeth Hammer  
Barbara Lindsay  
Dr. Peter Lisi  
Sarah Sanders

### **NAYS**

None

### **ABSTENTIONS**

None

## **AUTHORIZING BOND RESOLUTIONS**

### **Ocean Community YMCA Issue, Series A**

Mr. Jandreau presented the Ocean Community YMCA Issue, Series A for approval for up to \$6 million, a direct purchase with Washington Trust Company. Bond proceeds will be used to finance renovations to the existing campus building, rebuilding, renovation and reconfiguration of the existing campus building including an approximately 12,000 sq. ft. expansion and construction of a wellness center, teen center, wellness studio and family locker room. Also included is the expansion of the existing campus parking lot by 32,000 sq. ft. and removal of the campus baseball field. Mr. Jandreau provided background information on the borrower. The bond proceeds for their 2010 transaction were used to renovate and construct the Westerly, Rhode Island location. Mr. Jandreau reported that one thing of note is that during the construction of the 2010 transaction, the YMCA in Westerly did not lose one day of operation. The borrower will be refunding capitalized interest and there will not be a debt service reserve fund. Series A-1 will be a variable rate and Series A-2 will start out as a variable rate but will move to a fixed rate after the construction is complete. Series A-1 will be paid by campaign proceeds and Series A-2 will be paid with operating cash flow. Mr. Jandreau stated that security will include a first mortgage on the Mystic, Connecticut location, security interest in gross receipts and minimum 5% construction contingency with capitalized interest. Financial covenants consist of cash flow to debt service coverage ratio, leverage tests and a restriction on any additional indebtedness. Mr. Jandreau reported that in the event the School fails to meet any of its covenants, the outstanding principal amount on the bonds shall bear interest at a rate which is four percentage points per annum greater than the stated interest rate. The total cost of the project is approximately \$7.2 million and the YMCA rose just over \$4 million.

Mr. Jandreau is seeking approval from the Board based on the YMCA's successful past experience on construction renovations at their Westerly branch, their strong leadership and long standing relationship with Washington Trust, as well as strong community involvement, support and donations.

A discussion ensued.

Dr. Lisi requested a motion to approve Resolution #2017-14, Ocean Community YMCA Issue, Series A, which was included in the board meeting materials. Ms. Hammer moved to approve Resolution #2017-14 and Ms. Lindsay seconded the motion.

Upon roll call, the "Ayes," "Nays" and "Abstentions" were as follows:

#### **AYES**

John Biancamano  
Elizabeth Hammer  
Barbara Lindsay  
Dr. Peter Lisi  
Sarah Sanders

#### **NAYS**

None

#### **ABSTENTIONS**

None



## **FY 2017 STRATEGIC PLAN PERFORMANCE ASSESSMENT**

Ms. Weldon reported on some of the initiatives that were completed during the course of the year to successfully achieve the Authority's strategic plan goals. Some of those initiatives were as follows:

- Tax Compliance Webinar which was held on May 18, 2017, which focused on Schedule K and Form 990. This webinar was promoted on the CHEFA website and in the client newsletter, with a replay available.
- The bond document review was a large project which was undertaken this fiscal year. Staff met with bond counsel on November 1<sup>st</sup> and based on that meeting, they are continuing to update and revise the precedent documents.
- Staff is currently working on the Pay For Success initiative.
- Staff met with Connecticut's congressional delegation to discuss the importance of tax-exempt bond financing. Staff continues to meet at the State level with higher education co-chairs and others.
- The staff newsletters had five editions published this fiscal year.
- The payroll, time and attendance system is in the process of being implemented.
- The field work for the internal audit is being done by an outside firm in lieu of an internal auditor.
- Staff participated in the CHEFA Day of Service which was held at a Hands on Hartford Community Pantry.

Ms. Weldon reported that she will report on FY 2018 initiatives at the September Board meeting.

## **RE-APPOINTMENT OF MARTIN L. BUDD TO THE CHESLA BOARD OF DIRECTORS**

Ms. Weldon stated that since CHESLA is a subsidiary of CHEFA, the legislation is structured so that the CHEFA Board of Directors appoints the CHESLA Board members. Mr. Budd's six-year term expired on July 1, 2017 and he is seeking reappointment to the CHESLA Board. Ms. Weldon provided background information on Mr. Budd and his years of service to CHESLA.

Dr. Lisi requested a motion to approve Resolution #2017-15, re-appointing Mr. Martin Budd to another six-year term, expiring on July 1, 2023. Ms. Sanders moved to approve Resolution #2017-15 and Ms. Hammer seconded the motion.

Upon roll call, the "Ayes," "Nays" and "Abstentions" were as follows:

### **AYES**

John Biancamano  
Elizabeth Hammer  
Barbara Lindsay  
Dr. Peter Lisi  
Sarah Sanders

### **NAYS**

None

### **ABSTENTIONS**

None

**ADJOURNMENT**

There being no further business, at 3:05 p.m., Ms. Sanders moved to adjourn the meeting and Ms. Hammer seconded the motion.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

**AYES**

John Biancamano  
Elizabeth Hammer  
Barbara Lindsay  
Dr. Peter Lisi  
Sarah Sanders

**NAYS**

None

**ABSTENTIONS**

None

Respectfully submitted,

Jeanette W. Weldon  
Executive Director