

SENATE, No. 1098

STATE OF NEW JERSEY
219th LEGISLATURE

INTRODUCED JANUARY 30, 2020

Sponsored by:

Senator JOSEPH F. VITALE

District 19 (Middlesex)

SYNOPSIS

Concerns hospital asset transformation program.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the hospital asset transformation program in the
2 New Jersey Health Care Facilities Financing Authority and
3 amending P.L.1972, c.29.
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:
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8 1. Section 7 of P.L.1972, c.29 (C.26:2I-7) is amended to read
9 as follows:

10 7. a. The authority is authorized from time to time to issue its
11 bonds for any corporate purpose and to fund and refund the same all
12 as provided in this act. Such bonds may, at the discretion of the
13 authority, be designated as "bonds," "notes," "bond anticipation
14 notes~~[""]~~," or otherwise.

15 b. Except as may otherwise be expressly provided by the
16 authority, every issue of its bonds shall be general obligations of the
17 authority payable from any revenues or moneys of the authority,
18 subject only to any agreements with the holders of particular bonds
19 pledging any particular revenues or moneys. Notwithstanding that
20 bonds may be payable from a special fund, they shall be fully
21 negotiable within the meaning of Title 12A, the Uniform
22 Commercial Code, of the New Jersey Statutes, subject only to any
23 provisions of the bonds for registration.

24 c. The bonds may be issued as serial bonds or as term bonds, or
25 the authority, in its discretion, may issue bonds of both types. The
26 bonds shall be authorized by resolution of the members of the
27 authority and shall bear such date or dates, mature at such time or
28 times, not exceeding 50 years from their respective dates, bear
29 interest at such rate or rates, be payable at such time or times, be in
30 such denominations, be in such form, either coupon or registered,
31 carry such registration privileges, be executed in such manner, be
32 payable in lawful money of the United States of America at such
33 place or places, and be subject to such terms of redemption, as such
34 resolution or resolutions may provide. The bonds may be sold at
35 public or private sale for such price or prices as the authority shall
36 determine. Pending preparation of the definitive bonds, the
37 authority may issue interim receipts or certificates which shall be
38 exchanged for such definitive bonds.

39 d. Any resolution or resolutions authorizing any bonds or any
40 issue of bonds may contain provisions, which shall be a part of the
41 contract with the holders of the bonds to be authorized, as to:

42 (i) pledging all or any part of the revenues of a project or any
43 revenue producing contract or contracts made by the authority with
44 any individual, partnership, corporation, or association or other
45 body, public or private, to secure the payment of the bonds or of

EXPLANATION – Matter enclosed in bold-faced brackets ~~[""]~~ in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

- 1 any particular issue of bonds, subject to such agreements with
2 bondholders as may then exist;
- 3 (ii) the rentals, fees, and other charges to be charged, and the
4 amounts to be raised in each year thereby, and the use and
5 disposition of the revenues;
- 6 (iii) the setting aside of reserves or sinking funds, and the
7 regulation and disposition thereof;
- 8 (iv) limitations on the right of the authority or its agent to restrict
9 and regulate the use of a project;
- 10 (v) limitations on the purpose to which the proceeds of sale of
11 any issue of bonds then or thereafter to be issued may be applied
12 and pledging such proceeds to secure the payment of the bonds or
13 any issue of the bonds;
- 14 (vi) limitations on the issuance of additional bonds, the terms
15 upon which additional bonds may be issued and secured, and the
16 refunding of outstanding bonds;
- 17 (vii) the procedure, if any, by which the terms of any contract
18 with bondholders may be amended or abrogated, the amount of
19 bonds the holders of which must consent thereto, and the manner in
20 which such consent may be given;
- 21 (viii) limitations on the amount of moneys derived from a project
22 to be expended for operating, administrative, or other expenses of
23 the authority; and
- 24 (ix) defining the acts or omissions to act which shall constitute a
25 default in the duties of the authority to holders of its obligations and
26 providing the rights and remedies of such holders in the event of a
27 default.
- 28 e. Neither the members of the authority nor any person
29 executing the bonds shall be liable personally on the bonds or be
30 subject to any personal liability or accountability by reason of the
31 issuance thereof.
- 32 f. The authority shall have power out of any funds available
33 therefor to purchase its bonds. The authority may hold, pledge,
34 cancel, or resell such bonds, subject to and in accordance with
35 agreements with bondholders.
- 36 g. (1) (a) There is established a hospital asset transformation
37 program in the authority for the purpose of providing financial
38 assistance by the authority to nonprofit hospitals in this State, from
39 funds received pursuant to and in accordance with the provisions of
40 this subsection, in connection with the termination of the provision
41 of hospital acute care services at a specific location that may no
42 longer be necessary or useful for this purpose. For the purposes of
43 this subsection, "the termination of the provision of hospital acute
44 care services" shall include, but not be limited to, the actual closure
45 of, or other action taken to terminate acute care services at, a
46 nonprofit hospital and the surrender of its license to provide
47 hospital acute care services at that specific location, or, subject to
48 the commissioner's discretion, the reduction of at least 175 beds in

1 its licensed acute care bed capacity, which occurred after the
2 issuance by the commissioner of, and in accordance with the
3 provisions of, a certificate of need issued pursuant to P.L.1971,
4 c.136 (C.26:2H-1 et seq.), without regard to any pending appeal by
5 a third party of the issuance of the certificate of need.

6 (b) The termination of the provision of hospital acute care
7 services shall not preclude the commissioner from issuing a new
8 certificate of need with respect to the provision of hospital acute
9 care services at that location to a party unrelated to the party to
10 whom the certificate of need with respect to the termination of the
11 provision of hospital acute care services was issued.

12 (2) Subject to the approval of the State Treasurer, the authority
13 shall have the power to issue bonds and refunding bonds, incur
14 indebtedness and borrow money secured, in whole or in part, by
15 moneys received pursuant to subsection a. of section 6 of P.L.2000,
16 c.98 (C.26:2I-7.1), in order to provide, in connection with the
17 hospital asset transformation program, any nonprofit health care
18 organization in the State with the funds to:

19 (a) satisfy the outstanding bonded indebtedness or any other
20 outstanding indebtedness of any hospital in the State;

21 (b) pay the costs of transitioning a general hospital to a
22 nonprofit, non-acute care health care-related facility, including, but
23 not limited to, construction, renovation, equipment, information
24 technology, and working capital;

25 (c) pay the costs related to transitioning acute care and related
26 services from the hospital at which inpatient acute care services are
27 to be terminated to an existing nonprofit general hospital, including,
28 but not limited to, construction, renovation, equipment, information
29 technology, and working capital;

30 (d) pay the costs associated with the closure of a general
31 hospital or the reduction of at least 175 beds in its licensed acute
32 care bed capacity;

33 (e) pay the costs of the acquisition of a general hospital in the
34 State for the purpose of either: (i) moving an existing general
35 hospital's services into the acquired hospital and closing the
36 acquirer's inpatient acute care services~~[,]~~ ; or (ii) closing its
37 inpatient acute care services;

38 (f) pay capitalized interest;

39 (g) fund a debt service reserve fund;

40 (h) pay the costs associated with the issuance of any bonds for
41 any of the aforementioned purposes; or

42 (i) pay other costs specifically related to the closure or
43 transition of inpatient acute care services as identified in the
44 contract with the Treasurer.

45 The authority may establish reserves or other funds to further
46 secure these bonds or refunding bonds.

47 (3) The authority may, in any resolution authorizing the
48 issuance of bonds or refunding bonds issued pursuant to this

1 subsection, pledge the contract with the State Treasurer provided
2 for in subsection b. of section 6 of P.L.2000, c.98 (C.26:2I-7.1), or
3 any part thereof, for the payment or redemption of the bonds or
4 refunding bonds, and covenant as to the use and disposition of
5 money available to the authority for payments of bonds and
6 refunding bonds. Subject to the approval of the State Treasurer, the
7 authority may pay the costs associated with the issuance of bonds or
8 refunding bonds by the authority for the purposes of this subsection
9 from amounts it receives from the proceeds of the bonds or
10 refunding bonds and from amounts it receives pursuant to
11 subsection a. of section 6 of P.L.2000, c.98 (C.26:2I-7.1), which
12 costs may include, but are not limited to, any costs relating to the
13 issuance of the bonds or refunding bonds and costs attributable to
14 any agreements securing, or providing for the payment of, these
15 bonds or refunding bonds. The authority is authorized to enter into
16 any agreement necessary or desirable to effectuate the purposes of
17 this subsection, including an agreement to sell bonds or refunding
18 bonds to any person and to comply with the laws of any jurisdiction
19 relating thereto.

20 (cf: P.L.2009, c.2, s.1)

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22 2. This act shall take effect immediately.
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25 STATEMENT

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27 This bill amends provisions of the “New Jersey Health Care
28 Facilities Financing Authority Law,” P.L.1972, c.29 (C.26:2I-1 et
29 seq.), governing the hospital asset transformation program in the
30 New Jersey Health Care Facilities Financing Authority, to expand
31 the meaning of “the termination of the provision of hospital acute
32 care services.”

33 This bill would allow the program to assist, in circumstances
34 where the commissioner deems it appropriate, a nonprofit hospital
35 that is seeking to reduce its licensed capacity by at least 175 beds.
36 Specifically under the bill, “the termination of the provision of
37 hospital acute care services” is to include, but not be limited to: an
38 actual closure of, or other action taken to terminate acute care
39 services at, a nonprofit hospital, or, subject to the commissioner’s
40 discretion, a reduction of at least 175 beds in its licensed acute care
41 bed capacity, which occurred after licensure by the Department of
42 Health and in accordance with the provisions of a certificate of need
43 (CN) issued pursuant to current law, without regard to any pending
44 appeal by a third party of the issuance of the CN.

45 Currently, the hospital asset transformation program allows a
46 qualifying nonprofit hospital terminating acute care services at a
47 specific location to access low-cost financing to help pay existing
48 debt, close services in an orderly fashion, and allow another facility

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- 1 to adequately handle patients from the closed facility. The program
- 2 allows the authority to issue State-backed bonds, secured by a
- 3 contract with the State Treasurer, on behalf of hospitals meeting
- 4 certain criteria.