



W A S H I N G T O N

HEALTH CARE FACILITIES

A U T H O R I T Y

Financing the Health Care Future

**Washington Health Care Facilities Authority
Special Board Meeting
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Thursday, January 16, 2020 Meeting Minutes**

Board Members:

Governor
Jay Inslee
Chair

Governor's Designee
David Schumacher

Lieutenant Governor
Cyrus Habib

Insurance Commissioner
Mike Kreidler

Insurance Commissioner's
Designee
Toni Hood

Secretary
Department of Health
John Wiesman

Public Member
Steven R. Jacob

Executive Director
Donna A. Murr

A special meeting was held at the office of the Washington Health Care Facilities Authority. Meeting notices were mailed to all members of the Authority, to all persons who requested such meeting notice, and to those members of the media presently on the mailing list for receiving meeting notices of the Washington Health Care Facilities Authority.

Members Present:

David Schumacher, Governor's Designee, Member, Chair
Toni Hood, Insurance Commissioner's Designee, Member
John Wiesman, Secretary of Health, Member
Cyrus Habib, Lieutenant Governor, Member, by conference speakerphone
Steve Jacobs, Public Member, by conference speakerphone

Authority Staff Present:

Donna Murr, Executive Director, by conference speakerphone
Shannon Govia, Assistant Executive Director and Program Manager
Ashlee Frye, Assistant Executive Director and Chief Financial Officer
Danni Miller, Executive Assistant

Others Present:

Rusty Fallis, Authority Assistant Attorney General
Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
Robyn Helmlinger, Authority Bond Counsel, Orrick Herrington & Sutcliffe LLP, by conference speakerphone
Catrina Kohn, Authority Bond Counsel, Orrick Herrington & Sutcliffe LLP, by conference speakerphone
Libby Hollingshead, Deputy Chief of Staff, Office of Lt. Governor Cyrus Habib, by conference speakerphone
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
Mark Melio, Authority Financial Advisor, Melio & Company, by conference speakerphone
Matt Swafford, Authority Financial Advisor, Melio & Company, by conference speakerphone
Robert Turner, Kaufman Hall, by conference speakerphone
Cory Ferrari-Zimmerman, Chief Financial Officer, Interim, Confluence Health, by conference speakerphone

Steve Huebner, Interim Chief Financial Officer, Seattle Cancer Care Alliance, by conference speakerphone

Gretchen Hanna, Director of Corporate Finance, Seattle Cancer Care Alliance, by conference speakerphone

Marek Kowalewski, Kaufman Hall, by conference speakerphone

Saba Noorali, Kaufman Hall, by conference speakerphone

Mr. Schumacher called the meeting to order at 1:01 p.m. after noting a quorum was present consisting of himself, Ms. Hood, Mr. Wiesman, and Mr. Jacobs. Lieutenant Governor Habib joined the meeting at 1:06 pm.

Review, discussion and possible action regarding the Minutes from the November 22, 2019 Authority Board Meeting.

Upon motion by Mr. Wiesman and seconded by Ms. Hood, the minutes of the November 22, 2019 Authority meeting were accepted by a vote of 4-0.

Review, discussion and possible action regarding the adoption of Resolution No. 2020-01 approving the application for financial assistance and authorizing the issuance and sale of a bond for the benefit of Central Washington Health Services Association, Wenatchee Valley Hospital and Confluence Health.

Mr. Jacobs, Public Member, recused himself from discussion and declared that he would abstain from voting on the adoption of Resolution No. 2020-01 submitted by Central Washington Health Services Association (“CWH”), Wenatchee Valley Hospital (“WVH”) and Confluence Health (“Confluence”) because he still performs part-time work for CWH.

Mr. Govia summarized Resolution No. 2020-01, which if adopted would approve the application for financial assistance submitted by CWH, WVH and Confluence and authorize the issuance and sale of a bond in the principal amount of \$40,000,000. The proceeds of the loan will be used to (1) reimburse CWH, WVH and Confluence for prior capital expenditures, including for the construction of a parking garage that adds 500 additional parking spots at CWH; (2) remodel an existing post-anesthesia care unit at CWH; (3) remodel existing space for urology expansion at WVH; (4) purchase various equipment at CWH, WVH and Confluence; and (5) potentially pay issuance costs.

The financing will be structured as a direct placement and the purchaser is Bank of America, N.A. The primary bondholder security for the loan will be Obligations issued under the Confluence Health Obligated Group Master Trust Indenture. Feasibility has been determined by the lender. There are no Certificate of Need (“CON”) issues per the Department of Health. A TEFRA hearing was held on December 12, 2019, at which no individuals testified for or against the project. The interest rate will be a fixed rate estimated at 2.09%. The loan has a 10-year maturity. The bond trustee is The Bank of New York Mellon Trust Company, N.A. CWH, WVH and Confluence anticipate that they will save approximately \$2.38 million in interest costs over the life of the proposed bond issue by financing at tax-exempt rates compared to taxable rates. All proposed projects and equipment will directly benefit patients of CWH, WVH and Confluence. These items are specific to the ongoing operations of each entity and benefit the population entirely.

Mr. Govia introduced Mr. Gottlieb from Hillis Clark Martin & Peterson P.S., serving as the Authority's bond counsel for this transaction. Mr. Gottlieb summarized the documents presented for approval and indicated that they are all in good order. Based on the determinations that are required by Authority WACs, the due diligence investigation conducted by bond counsel, as well as the information in the application, Mr. Govia urged adoption of Resolution No. 2020-01 for the benefit of CWH, WVH and Confluence.

Mr. Govia introduced Mr. Zimmerman who offered to address any questions the board may have.

There being no further discussion, upon motion by Mr. Wiesman, seconded by Ms. Hood, Resolution No. 2020-01 was adopted by a 4-0 vote, with one abstention.

Review, discussion and possible action regarding the application for financial assistance submitted by Seattle Cancer Care Alliance.

Mr. Govia summarized the application for financial assistance submitted by Seattle Cancer Care Alliance ("SCCA"). SCCA is a cancer treatment center that was formed in 1998 by the Fred Hutchinson Cancer Research Center, UW Medicine and Seattle Children's Healthcare System for purposes of developing and offering a comprehensive program of integrated cancer care services. SCCA is applying for a loan in the amount of not-to-exceed \$364,000,000. Proceeds of the loan will be used for new construction, new equipment, reimbursement of prior capitalized expenditures, paying the cost of issuance and capitalized interest costs during new construction and the potential refinancing or restructuring on a tax-exempt basis the Authority's Series 2010 Bond and the potential taxable refinancing of the Authority's Series 2014 Bond. The financing will be structured as a Public sale underwritten by J.P. Morgan and Barclays. The primary security for the loan will be Obligations issued under the SCCA Master Trust Indenture.

Feasibility is based on the investment grade credit rating of SCCA. SCCA's current rating is Fitch A+ and Moody's A2. A TEFRA hearing will be scheduled. The interest rate, loan term and bond trustee are to be determined. Based on current market conditions and assuming the bonds for the new money component will be issued as fixed-rate debt, SCCA expects to save approximately \$6.6 million over the life of the bonds by utilizing tax-exempt financing through the Authority as compared to financing on a taxable basis.

Mr. Govia introduced Mr. Huebner who provided a brief summary of the structure of SCCA as well as the services provided. Mr. Huebner discussed the organizational structure of SCCA, the services it provides and the current need for funding. SCCA operates an inpatient facility within the University of Washington Medical Center, which Mr. Huebner described as operating like a "hospital within a hospital." As such, this facility was surveyed by Washington State's Department of Health ("DOH") on behalf of the Center for Medicare and Medicaid Services ("CMS"). Deficiencies were identified and CMS asserted that SCCA had "failed to be primarily engaged in providing inpatient services by depending on another hospital to meet the CMS Conditions of Participation." More specifically, the deficiencies relate to a lack of distinct physical space for SCCA beds, and insufficient oversight by SCCA of inpatient policies and support services, such as nursing, pharmaceutical, medical records

and medical staff. CMS advised SCCA that failure to remediate the deficiencies would result in loss of SCCA's participating provider status with Medicare, which would result in a decrease in future revenues. Mr. Huebner explained that SCCA has been working with CMS on a Plan of Correction and, by letter dated January 15, 2020, CMS accepted a Revised Plan of Correction and suspended the potential termination action. Mr. Huebner noted that SCCA had submitted a copy of the CMS acceptance letter to the Authority.

Mr. Huebner further explained that SCCA is currently in discussions with DOH regarding whether a CON is required for the facility proposed to be financed with bond proceeds, as described in the application. The issue relates to the provision of ambulatory surgical services. SCCA does not intend to have surgical suites in the proposed facility but there will be procedure rooms where certain outpatient procedures consistent with the treatment of cancer are expected to occur. SCCA has submitted to DOH its rationale for why it believes that no CON should be required for the facility, and SCCA will continue to work to address DOH's questions. DOH has not yet made a determination as to whether a CON is required.

In response to Mr. Jacobs inquiry regarding potential delays due to the requirement of a CON, Mr. Huebner stated that SCCA is currently working with DOH to resolve the CON issues and hope to have the situation resolved as soon as possible; currently there is no specific time frame but SCCA will prepare a contingency plan if necessary.

In response to Lieutenant Governor Habib's inquiry regarding whether the proposed facility would have underground access or a skybridge, which protects patients from the elements, Mr. Huebner stated that the facility would have a skybridge that provides protection from the elements.

In response to Lieutenant Governor Habib's inquiry regarding whether the equipment being purchased includes imaging equipment, to prevent patients having to travel to the University of Washington to have imaging completed, Mr. Huebner stated that SCCA's outpatient facilities currently have imaging equipment and the intent would be the same for the proposed new facility.

Lieutenant Governor Habib declared that he would abstain from voting on the acceptance of the application for financial assistance submitted by the Seattle Cancer Care Alliance due to his participation on the board of Seattle Children's Hospital.

Lieutenant Governor Habib exited the meeting at 1:29 pm due to a prior commitment.

Mr. Govia advised the Authority that, based on the advice of the Authority's Assistant Attorney General, it would be permissible for the Authority to accept the SCCA application before any required CON was received.

Based on its review of the application, Orrick Herrington & Sutcliffe LLC, Authority's bond counsel, has determined that the borrower and the project are eligible for financing under the Authority's statute, but such determination is subject to further due diligence. Mr. Govia urged the Authority's acceptance of this application.

There being no further discussion, upon motion by Mr. Wiesman, seconded by Ms. Hood, the application for financial assistance submitted by SCCA was accepted by a vote of 4-0.

Review, discussion and possible action regarding the Proposed Authority Meeting Dates for 2020.

Ms. Murr presented the proposed meeting dates for the remainder of 2020. There being no further discussion, upon motion by Mr. Jacobs, seconded by Ms. Hood, the proposed 2020 meeting dates were accepted by a vote of 4-0.

Executive Director's Report

Ms. Murr reviewed the Executive Director's Report presented in the board materials including the status of Authority financings, financial statements, status report and debt service report.

Adjournment:

There being no further business, the meeting was adjourned at 1:36 pm.

John Wiesman, Secretary