



2016 State of the Market Update



California Health Facilities Financing Authority

March 24, 2016

AGENDA



- CHFFA Recent Issuance History
- CHFFA Rankings Among Health Care Bond Issuers
- A Dynamic Environment: ACA Impacts on the Hospital Sector
- The View from the CEO's Chair
- Impact on CHFFA and other California issuers

CHFFA RECENT ISSUANCE HISTORY



- From July 1, 2013 to December 31, 2015, CHFFA issued 14 series of Bonds with a total par amount of \$1,930,230,000.
- Large issues included:
 - ✓ \$654,840,000 for St. Joseph Health (2013)
 - ✓ \$394,590,000 for Providence Health & Services (2014 – 2 Series)
 - ✓ \$189,165,000 For Sutter Health (2015)
 - ✓ \$160,455,000 for El Camino Hospital (2015)

CHFFA RANKINGS AMONG NATIONAL HEALTH CARE BOND ISSUERS



Issuer	# of Series	Maturity size (000's)
California Health Facilities Financing Authority	36	\$3,312,825
Illinois Finance Authority	27	\$2,716,535
Maryland Health & Higher Educational Facilities Authority	22	\$2,589,585
Health & Educational Facilities Authority of the State of Missouri	19	\$2,017,685
Massachusetts Development Finance Authority	31	\$2,014,185
Michigan Finance Authority	16	\$1,989,545
California Statewide Communities Development Authority	28	\$1,913,375
Washington Health Care Facilities Authority	23	\$1,854,245
Wisconsin Health & Educational Facilities Authority	36	\$1,836,995
Harris County Cultural Education Facilities Finance Corp.	15	\$1,626,055

Bloomberg News Service data – Outstanding Bonds of Issuers of Healthcare Financings from January 1, 2013 to December 31, 2015

➤ CHFFA is a prominent national issuer – one of two California issuers among 10 most active

CHFFA RANKINGS AMONG CALIFORNIA HEALTH CARE BOND ISSUERS



<u>Issuer</u>	# of Series	Maturity size (000's)
California Health Facilities Financing Authority	36	\$3,312,825
California Statewide Communities Development Authority	28	\$1,913,375
Regents of the University of California Medical Center	2	\$640,640
Washington Township Health Care District	4	\$321,290
Abag Finance Authority for Non Profit Corporations	3	\$254,375
California Municipal Finance Authority	5	\$241,750
Grossmont Healthcare District	2	\$225,000
City & County of San Francisco	1	\$182,680
Marin Healthcare District	2	\$170,000
California Public Finance Authority	4	\$160,000

Bloomberg News Service data – Outstanding Bonds of Issuers of Healthcare Financings from January 1, 2013 to December 31, 2015:

- ⇒ The California marketplace is unique and multi-faceted:
- ✓ Competitors to CHFFA include bolded issuers and California Enterprise Development Authority

A DYNAMIC ENVIRONMENT: ACA IMPACTS ON THE HOSPITAL SECTOR



➤ Kaiser Family Foundation: ACA Impacts on Hospitals include:

- ✓ Increases in demand for care
- ✓ Increased Patient revenues
- ✓ Lower uncompensated care costs for uninsured patients

➤ More patients have choice

A DYNAMIC ENVIRONMENT: ACA IMPACTS DEPEND ON LOCATION

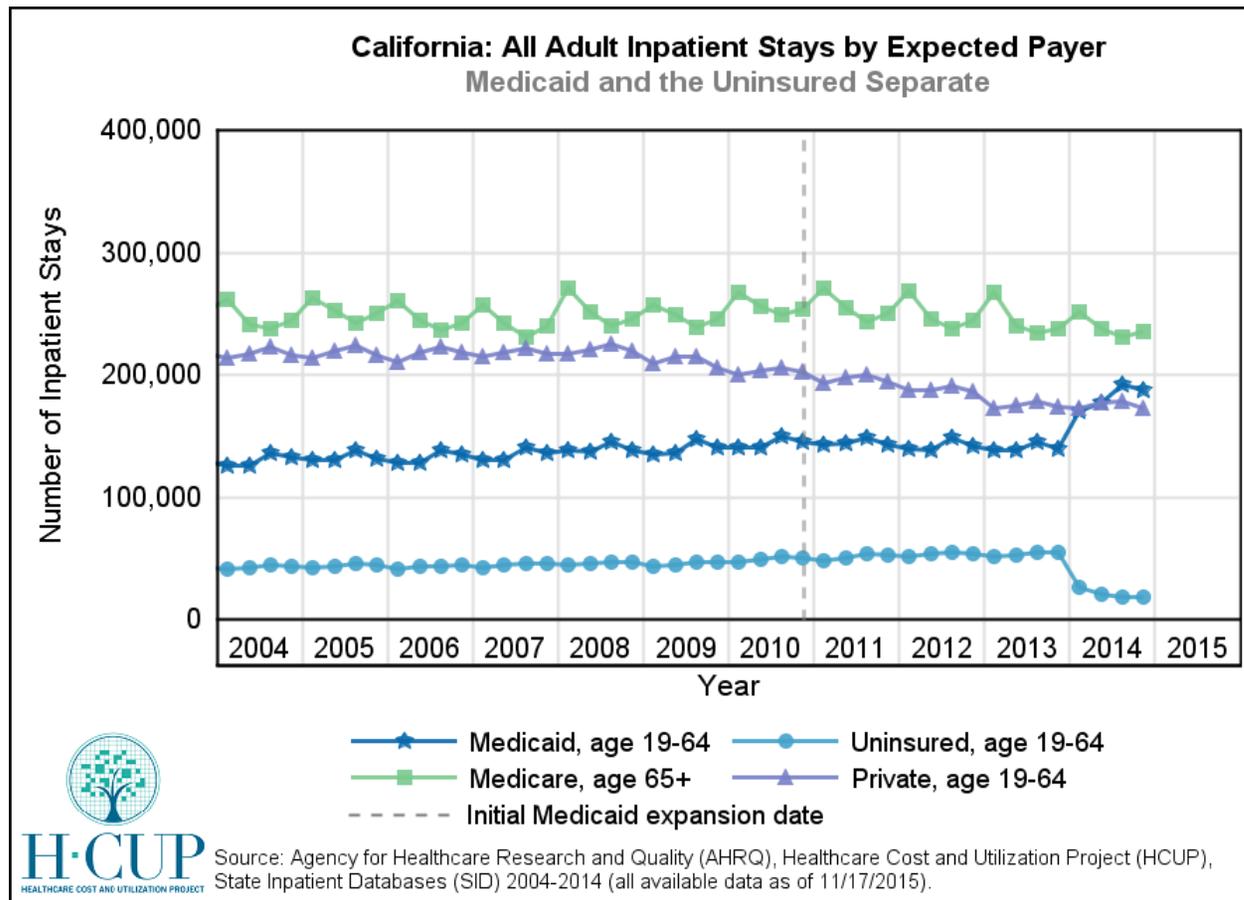


- In Medicaid/Medi-Cal expansion states:
 - ✓ Larger increases in Medicaid volumes – decreases in uninsured and self-pay
 - ✓ Increases in operating margins – less bad debt
- Non expansion states –
 - ✓ Small to no increase in Medicaid and private pay volumes and little change in uninsured/self-pay

ACA IMPACTS ON CALIFORNIA HOSPITALS



California impact on inpatient stays is dramatic



THE VIEW FROM THE CEO'S CHAIR



⇒ ACA encourages consolidation

- ✓ Expansion of high value activities – e.g., oncology, orthopedics
- ✓ Promote best practices and quality initiatives
 - Important in a pay for performance v. pay for service model
- ✓ Could drive up prices through decrease in competition
- ✓ Hospitals in a bind – cover difference b/w cost and reimbursement
 - Need more efficiency – economy of scale
 - Need more negotiating power – can be a function of size

THE VIEW FROM THE CEO'S CHAIR



➤ A To Do List: (SRA Research Group)

- ✓ Evaluate ability to handle increased patient volumes
- ✓ Determine how far to go in price transparency
- ✓ Evaluate competition to activities generating significant net revenue
- ✓ Review data to determine efforts to ensure positive patient outcomes

IMPACT ON CHFFA AND OTHER CAL ISSUERS



- Will volumes increase or decrease
 - ✓ Restructuring transactions: influenced by past issuance practices and market dynamics
 - ✓ New money transactions: influenced by overall institutional healthcare industry trends and slightly by market dynamics
- CHFFA operates in a competitive environment
 - ✓ Hospitals have choices



QUESTIONS AND DISCUSSION

