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**BOWL
BITS**

Feb. 26

Date host committee
holds Business Connect
workshop at NJPAC

*Editor's note: Look for this feature
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AARON HOUSTON

A few past missteps shouldn't doom future privatization efforts, says former New Jersey Congressman Dick Zimmer.

Managing private concerns

Christie courtship of corporate partners yielding mixed results

BY JARED KALTWASSER

GOV. **CHRIS CHRISTIE'S** effort to privatize the operations and marketing of New Jersey's lottery has sparked fierce opposition from unions and Legislative Democrats, but it's also put the spotlight on the state's — and Christie's — mixed record on privatization.

Shortly after taking office in 2010, Christie initiated a task force, led by former U.S. Rep. **Dick Zimmer**, to study privatization

opportunities in the state. In May 2010, the commission released a 57-page report detailing some 40 privatization targets; if all were implemented, the report said, the state could save more than \$210 million per year.

"Generally speaking, the administration has been taking a look at many opportunities, including going beyond those that we identified, and working I think fairly comprehensively to use privatiza-

tion as one tool to make government more cost effective, and actually improve the quality of the services delivered," Zimmer said.

Before the lottery issue arose, Christie's most high-profile privatization moves came in 2011, when he put New Jersey's public broadcasting system, NJN, and the state's two race tracks, Meadowlands and Monmouth Park, into private hands. The jury's still out on both

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Setting the foundation for reforming health care

Robert Wood Johnson says N.J. a good test bed for nationwide solutions

BY MELINDA CALIENDO

AS QUESTIONS OF HOW to better deliver health care to the nation grow, so does the national reputation of the Robert Wood Johnson Foundation, which has become a significant player in health care reform and implementation.

The Princeton-based foundation approved late last year up to \$425 million in 2013 grant funds for organizations researching and implementing ways for people to stay healthy at lower costs and improving access to care providers.

New Jersey is not only home to the foundation, but a highly effective test bed, said Dr. **John Lumpkin**, the senior vice president and director of the health care group for the foundation. Because New Jersey's diverse population and geography are microcosms of the nation as a whole, ideas developed here can be reliably exported around the country.

For this reason, as well as to remain true to founder Robert Wood Johnson's intentions, \$1.5 billion of the \$10 billion in grants awarded in the past 40 years by the foundation has remained in New Jersey; currently, more than \$131.8 million from the foundation is funding 151 projects here.

Lumpkin said every business in the state is helped by the foundation's work in at least three ways: a healthier work force, more attractive communities and less-costly health care.

"In many ways, the health of individuals is directly tied to where they live and where they work," Lumpkin said. "There is some evidence that is growing that parts of the country where they can demonstrate that their community is healthier

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INSURE

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with insurers to offer Medicare Advantage plans to their communities. Meridian Health worked with Geisinger Health Plan, and the managed care company for the three **Hudson Holdco LLC** hospitals, CarePoint, launched Medicare Advantage plans in 2012 as a way to become a partial-payer for a larger population.

Medicare Advantage plans are private plans that cover services traditional Medicare does not. Around the country, health care providers looking to have more control over costs have worked with or become insurers, like Geisinger, to be able to provide this competitive option.

Meridian was a founding partner of QualCare, and CEO **John K. Lloyd** said the addition of a Medicare Advantage plan for seniors in Monmouth and Ocean counties was a natural progression for the system.

"We've always believed that partnering and aligning on the insurance side is important, because in the future, the lines are becoming blurred," Lloyd said. "Everybody is trying to find the best combination of organizations and competencies that will deliver a new product in the future. And that product is no more fragmented health care, but really a truly integrated approach."

Catino said QualCare is also working with the Freelancers Union co-op — which was awarded federal dollars to create a product for health insurance exchanges — to develop a plan based around hospital-based accountable care organizations.

"Their goal is to get closer to the consumer by having a product that is built around their accountable care organization," Catino said of the systems working to build plans around their ACOs. ACOs represent a new approach to health care delivery that seeks to coordinate medical care, engage patients in their own wellness, and improve health and control costs.

For systems that want to branch out beyond the Medicare Advantage approach, there's the option of becoming a licensed insurance company.

"This model exists, and is very successful in a number of parts of the country," said **Barry Ostrowsky**, president and CEO of Barnabas Health. Ostrowsky said

the University of Pittsburgh Medical Center "owns one of the biggest, if not the biggest, health care system-based health plans in the country."

Ostrowsky said the structure and business plan to be both payer and provider does work, and being an insurer cuts out the middle man, as well. But it does increase the pressure on providers to answer questions about utilization and cost with more transparency.

"If you're both the deliverer of care and the financial side, how can we trust the fact that you won't short-change us, as subscribers?" Ostrowsky said. "Now you've



"If you're both the deliverer of care and the financial side, how can we trust the fact that you won't short-change us, as subscribers?"

Barry Ostrowsky, president and CEO, Barnabas Health

gotten the premium dollar, and there's a budget for what you pay out for care — and what happens if you start seeing that you're going to spend too much on delivery of care? Aren't you incentivized to de-

liver less of the care? I think that is at least, on the surface, a legitimate concern."

"There has to be an effective mechanism to ensure subscribers get what they need and the clinical care that we offer is at a level of qualitative excellence that is proven by evidence," Ostrowsky said. "I would have to show you what standards we want to satisfy clinical excellence ... and I'd have to show you what safeguards there are for not arbitrarily reducing quantity and quality of care to live within a premium."

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AARON HOUSTON

QualCare's early efforts were 'a toe in the water' toward reforms needed today, says its CEO, Annette Catino.



SPOTLIGHT:

BANKING

"You have to know (which bank) is doing what — that is the real secret to obtaining capital."

— Lenford Robins, chief executive, RRML Capital Resources

BANKING

by the numbers

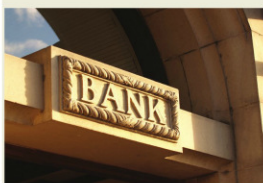
\$268.4
billion

New Jersey banking deposits



161

Number of banks doing business in New Jersey



70

percent

Combined deposit market share of the top 10 New Jersey banks, ranked by deposits



62

percent

Share of total New Jersey bank offices of the top 10 New Jersey banks

Source: Federal Deposit Insurance Corp.

Lenford Robins says perfect credit is no assurance of getting a loan. Rather, it's making sure you're sitting in front of the right lender. Robins is pictured in his Fort Lee office.

AARON HOUSTON



Still moans about loans

Commercial lending remains tight, but advisers point out ways to get approved

BY BETH FITZGERALD

Commercial bank loans have been tougher to obtain since banks tightened up following the 2008 financial crisis, according to many financial experts — while the banks, both large and small, insist they're ready and willing to lend. Accountants and other business advisers said there is indeed plenty of cash available for businesses that know how to tell their company's story, and that seek out banks that want to lend to their industry.

It's essential to develop strong relationships with commercial lending officers, said David Capodanno, a certified public accountant at Eisner-Amper. He said one big-bank commercial lender handles a half-dozen of his clients: "I meet with him four or five times a year, I keep a list of the clients we are working with together, and we talk about what is going on. All of my clients know that I know the bankers — it's a good relationship."

Capodanno said at any given time, a bank might want to lend more to certain sectors and avoid others, and he steers clients to bankers who want their business. One of his clients owns catering halls and diners, and "Some banks shy away from (food service) because the margins are tight, and there aren't a lot of assets to put their hands

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LOANS

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on" if the loan goes sour. This business deals with a community bank that has known the business for a long time, understands it, and is comfortable with lending to the industry.

Another client, a perfume distributor, wanted to get into asset-based lending; Capodanno knew that one of the largest banks in the state wanted to expand its asset-based lending portfolio. He arranged a meeting, and the bank agreed to provide \$22 million in financing.

Richard Reisenauer, senior vice president and director of middle market lending at **Provident Bank**, encourages businesses to bring their CPAs along when they meet with bankers.

"Some transactions are complex, and sometimes it's difficult for the business owner to explain them in the detail the bank would like to have," he said. "What banks like to know is where the company has been, where it is now and where it's going — and to have the financial numbers to go along with that, so we can see the trends."

Lenford Robins, chief executive of **RRML Capital Resources**, a lender and loan broker in Fort Lee, said even a business with perfect credit may get turned down.

"You have to know (which bank) is doing what — that is the real secret to



COURTESY PROVIDENT BANK

Bringing a CFO or CPA along to a meeting with a lender can help a bank get a better sense of a complex financial

obtaining capital," he said. For example, a company trying to buy commercial property as an investment will get rejected "if the bank does not want to carry investment property in their portfolio," Robins said. "If you want a loan for a hotel, you'll be turned down by banks that don't do hotels."

Often, a business wants more money

than the bank is comfortable lending. Robins said one of his clients wanted to borrow \$1 million, but the bank would only go up to \$800,000; the business decided it could manage with \$800,000.

Bob Doherty is New Jersey state president of **Bank of America**, and senior credit products manager for all the bank's commercial operations in the state. He said CPAs typically will "provide involvement that will add color to the relationship ... and really help us understand the client and their needs better."

He said the bank looks for ways to get a transaction done, and when a loan request is turned down "It could be problems with the cash flow, or the collateral they are putting up, or problems with their historical financial statements."

While some business advisers said big banks prefer making large loans, and are less interested in dealing with smaller firms, those lenders insist they are prepared to serve the entire market.

Doherty said Bank of America has teams dedicated to big companies, and others that focus on small business. The bank said it has hired 30 small-business bankers across New Jersey in recent months. "There is not a slice of the New Jersey market that we are not actively seeking to bring in as clients," he said.

"The banks are definitely doing their due diligence — going on the Internet and seeing what they can find out about

the company," said **Elliot H. Koplitz**, a partner in the **Hunter Group** CPA firm, in Fair Lawn. "The owners better lock their Facebook pages for anything they don't want seen — you have to be very careful of what you put on social media these days if you are going for financing."

Koplitz said one of his clients is a service business with 50 employees that is poised for a growth spurt, and needs to borrow between \$3 million and \$4 million to finance that growth. A medium-sized bank would only agree to lend \$1.5 million, but the banker referred Koplitz to a small community bank. "I have a relationship with this banker, and he said, 'Look, I can't get accomplished what you are looking for, but here is a buddy of mine who works for another bank. I've talked to him about the deal, and he says he can get it done.'"

Koplitz said the deal is attractive to the small bank, because it has a lot of commercial real estate-based loans on its books, and want to diversify. He said the loan will be secured by accounts receivable, cash and investments.

The first bank "was not comfortable because of the size of the loan and because we're not delivering a product, we're delivering a service. All the banks have their pet peeves about what type of business they like to lend to."

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