

STATE OF NORTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

MEDICAL CARE COMMISSION QUARTERLY MEETING  
DIVISION OF HEALTH SERVICE REGULATION  
801 BIGGS DRIVE, RALEIGH NC 27603  
BROWN BUILDING CONFERENCE ROOM- 104

August 9, 2013

9:00 A.M.

AGENDA

**I. MEETING OPENS – ROLL CALL**

**II. CHAIRPERSON’S COMMENTS** - Mrs. Bode will comment on matters of importance to the Commission. *Question: Does anyone have any conflict of interest with any agenda item before the Commission today?*

**III. APPROVAL OF MINUTES** from the February 8, 2013 and March 7, 2013 meetings.  
..... **Exhibit A & A/1**

**IV. DIVISION DIRECTOR’S REPORT** - Mr. Pratt will report matters of interest to the Commission.  
Other items to report on are listed below:..... **Exhibits B – B/3**

1. Quarterly Report on Bond Program .....**Exhibit B**

The Executive Committee held telephone conference meetings on the following dates:

**May 29, 2013** –To consider preliminary approval for a project for Aldersgate Retirement Community and to provide a refunding for their 2009 and 2010 MCC Bonds.....**Exhibit B/1**

**June 27, 2013** - To consider (1) a resolution that grants preliminary approval to a project for Galloway Ridge, (2) a resolution that grants preliminary approval to a project for Hugh Chatham Memorial Hospital, (3) a resolution that grants preliminary approval to a project for Vidant Health, and (4) a resolution authorizing the execution and delivery of a First Supplemental Trust Agreement for the 2007 Bonds issued for the benefit of Iredell Memorial Hospital.....**Exhibit B/2**

**July 23, 2013** - To approve the conversion of the Commission’s Variable Rate Demand Health Care Facilities Revenue Bonds (Hugh Chatham Memorial Hospital Project) Series 2008 to an “Index Interest Rate” mode. ....**Exhibit B/3**

**V. New Business**

1. Approval of sale of Bonds for Aldersgate.....Christopher Taylor  
(Resolution to be distributed at the meeting)

2. Approval of sale of Bonds for Vidant Health.....Christopher Taylor  
(Resolution to be distributed at the meeting)

3. Nursing Home Rules.....Megan Lamphere (**Exhibit C**)  
10A NCAC 13D .2210 Reporting and Investigating Abuse, Neglect or Misappropriation

## VI. Bond Projects

### A. The Moses H. Cone Memorial Hospital – Greensboro, NC- Christopher Taylor & Steven Lewis

**Resolution:** The Commission grants preliminary approval to a project for The Moses H. Cone Memorial Hospital and Alamance Regional Medical Center to provide for refunding of the outstanding indebtedness of Alamance Regional Medical Center (ARMC) and Alamance Extended Care (AEC) [(1) Bank of America bridge loans, the proceeds of which were used to refinance the ARMC Series 1993 and 1998 Bonds and the AEC Series 2001 A Bonds) and (2) the AEC Series 2007 Bonds] and to renovate and expand the existing Emergency Department, renovate the Surgery Department including right-sizing operating rooms, upgrading the Central Energy Plant, relocating the Cancer Center to newly constructed building adjacent to the Medical Arts Building, completing lower level renovations and a new Parking Lot at Alamance Regional Medical Center all in accordance with a preliminary application, plans and specifications and participation as filed. The proposed Series 2013 Bonds will be structured as either publicly offered rated fixed rate Bonds or as Non-Bank Qualified Bonds.

#### ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$131,050000
Cash and negotiable securities from reserves	3,500,568
Interest earned during construction	9,142
Bond Premium	3,539,425
<b>Total Sources</b>	<b>\$138,099,135</b>

#### ESTIMATED USES OF FUNDS

Construction contracts	
(A) Emergency Room/ OR project	\$ 31,010,821
(B) Cancer Center Project	19,812,600
(C) Lower Level Renovations (HL-9314)	801,000
(D) Parking Lot	360,000
Construction contingency (4.5% of construction contract)	2,338,655
Architect/engineer fees and reimbursables	4,138,802
Moveable equipment	1,694,536
Surveys, tests, insurance	200,000
Consultants fees related to construction	197,000
Amount required to repay loan (B of A loans)	33,693,598
Escrow amount to refund bonds (AEC Series 2007 Bonds)	42,053,235
Underwriters discount/bank fee (including counsel)	1,077,201
Feasibility fee	50,000
Accountants fee	100,000
Legal fees for Corporation Counsel (2 firms)	140,000
Bond counsel	125,000
Rating agencies	150,000
Trustee fee	5,000
Printing costs	2,500
DHSR fee (G.S. 131E-267)	62,937
Local Government Commission fee	8,750
Financial Advisor	75,000
Verification Agent	2,500
<b>Total Uses</b>	<b>\$138,099,135</b>

Tentative approval is given with the understanding that the governing board of The Moses Cone Memorial Hospital accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the issuance or conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance or conversion of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance or conversion of bonds for this project and may approve the issuance or conversion of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold or converted in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
7. The borrower will provide the Commission annually a copy of the Advocacy Needs Data Initiative (ANDI) form it files with the North Carolina Hospital Association (NCHA) in accordance with a resolution passed by the Commission on February 9, 2007 adopting the NCHA Community Benefits reporting format and methodology for hospitals reporting to the Commission.
8. All health care facilities and services directly or indirectly owned or controlled by the health care organization, including physician practices, shall be available to Medicare and Medicaid patients with no limitations imposed as a result of the source of reimbursement.
9. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended ("Section 147(f)"), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the "Governor") approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.

Based on information furnished by applicant, the project is -

- |                                                  |   |     |       |    |       |     |
|--------------------------------------------------|---|-----|-------|----|-------|-----|
| 1. Financially feasible                          | ✓ | Yes | _____ | No | _____ | N/A |
| 2. Construction and related costs are reasonable | ✓ | Yes | _____ | No | _____ | N/A |

**Notes:**

- 1) **Information from Audited Financial Statements for FYE 2012**  
The Moses Cone Memorial Hospital and Affiliates

Income from Operations	\$21,433,000
Increase in net assets	\$99,420,000
Net cash (used in ) provided by operating activities	(\$12,173,000)
Net increase in cash and cash equivalents	(\$18,943,000)

**Information from Audited Financial Statements for FYE 2012**

Alamance Regional Medical Center Healthcare and Affiliates

Excess of Operating Revenue and Expenses	\$4,812,327
Increase in net assets	\$12,381,589
Net cash provided by operating activities	\$28,739,531
Net increase in cash and cash equivalents	\$5,209,849

- 2) Ratings on The Moses Cone Memorial Hospital AA/ S&P and Fitch  
 Expected Rating after issuance of proposed 2013 Bonds AA-

3) **Community Benefits/Charity Care 2012**

The Moses Cone Memorial Hospital	
Community Benefits -	\$171,666,674
Bad debts -	<u>\$31,453,145</u>
Total	\$ 203,425,259

Alamance Regional Medical Center	
Community Benefits	\$20,947,718
Bad debts	<u>\$9,428,093</u>
Total	\$30,375,811

4) **Long Term Debt Service Coverage Ratios for Moses H. Cone**

Actual FYE 2012	20.04
Forecasted FYE 2013	9.03
Forecasted FYE 2014	5.22
Forecasted FYE 2015	5.24

5) **Financing Participants:**

<b>Senior Manager</b>	Morgan Stanley
<b>Co-Manager</b>	BMO Capital Markets
<b>Bond Counsel</b>	McGuire Woods, LLP
<b>Corporation Counsel</b>	Moses Cone- Smith Moore Leatherman, LLP Alamance Regional – Womble Carlyle Sandridge & Rice, PLLC
<b>Underwriter’s Counsel</b>	Bode Call & Stroupe, LLP
<b>Financial Advisor</b>	Melio & Company
<b>Bank Purchaser</b>	TBD
<b>Bank Counsel</b>	TBD

**B. The Pines at Davidson, Inc. Davidson, NC - Christopher Taylor & Steven Lewis**

**Resolution:** The Commission grants preliminary approval to a project for The Pines at Davidson, Inc. to provide funds to be used together with other available funds, to pay for the construction of two (2) Villa Apartment Buildings to be known as The Villas at Hickory Crest, comprising 23 apartment units having a weighted average of approximately 1600 square feet per unit and under building parking all in accordance with a preliminary application, plans and specifications and participation as filed. The proposed bond issue will either be structured as a fixed rate publicly offered rated issue or as a Non-Bank Qualified bond issue to be purchased by a bank.

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	\$15,730,000
Cash and negotiable securities from reserves	<u>240,000</u>
<b>Total Sources</b>	<b>\$15,970,000</b>

**ESTIMATED USES OF FUNDS**

Site utility development and accessibility costs	\$124,690
Construction contracts	12,303,820
Construction contingency (1% of construction contract)	123,038
Architect/Engineer fees and reimbursables	634,790
Moveable equipment	27,000
Surveys, tests, insurance	309,297
Consultants' fees related to construction	
Legal and Accounting	105,000
Project Management	192,000
Landscape Design	18,380
Bond interest during construction	920,000
Debt service reserve fund	650,920
Underwriters' discount/bank fee	210,000
Feasibility fees	75,000
Accountant's fee	15,000
Legal fees for corporation counsel	40,000
Bond counsel	55,000
Rating agencies	30,000
Trustee fee	10,000
Printing costs	10,000
DHSR fee (G.S 131E-267)	5,084
Local Government Commission fee	8,750
Financial Advisor	15,000
Mortgage/title	35,000
Underwriter's counsel/Bank counsel	40,000
Miscellaneous	<u>2,231</u>
<b>Total Uses</b>	<b>\$15,970,000</b>

Tentative approval is given with the understanding that the governing board of The Pines at Davidson, Inc. accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.

2. Any required certificate of need must be in effect at the time of the issuance of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended ("Section 147(f)"), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the "Governor") approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.
7. The borrower will comply with the Commission's Resolution: Community Benefits/Charity Care Agreement and Program Description for CCRC's as adopted on November 9, 2007.

Based on information furnished by applicant, the project is -

1. Financially feasible	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A
2. Construction and related costs are reasonable	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A

**Notes:**

**A) Information from Audited Financial Statements for FYE December 31, 2012.**

<b>Increase (Decrease) in Unrestricted Net Assets from Operations</b>	<b>\$365,007</b>
<b>Change in Net Assets</b>	<b>\$1,038,534</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$167,800</b>
<b>(Decrease) in Cash and Cash Equivalents (due primarily to purchase of property and equipment and the purchase of investments and board designated funds)</b>	<b>(\$839,618)</b>

**B) The Pines at Davidson is rated "A-" by Fitch Ratings, and the proposed 2013 Bonds are expected to be also rated "A-" by Fitch.**

**C) Community Benefit Percentage under GS 105 = 9.18%**

**Which equates to 100% of Property tax exemption**

**D) Long Term Debt Service Coverage Ratios**

<b>Actual FYE</b>	<b>12/31/2012</b>	<b>2.01</b>
<b>Forecasted</b>	<b>12/31/2013</b>	<b>2.10</b>
	<b>12/31/2014</b>	<b>2.02</b>
	<b>12/31/2015</b>	<b>2.01</b>

**E) Financing Participants:**

- Senior Manager- Ziegler**
- Co-Manager – Wells Fargo**
- Bond Counsel – TBD**
- Corporation counsel – McGuire Woods, LLP**
- Underwriter’s counsel- TBD**

**VII. Refunding of Commission Bond Issues**

**Recommended:.....Chris Taylor**

**WHEREAS**, the bond market is in a period of generally fluctuating interest rates, and

**WHEREAS**, in the event of decline of rates during the next quarter, refunding of certain projects could result in significant savings in interest expense thereby reducing the cost of health care to patients, and

**WHEREAS**, the Commission will not meet again until November 15, 2013,

**THEREFORE, BE IT RESOLVED;** that the Commission authorizes its Executive Committee to approve projects involving only the refunding of existing Commission debt between this date and November 15, 2013.

**VIII. MEMBER REPORT**

**IX. ADJOURNMENT - A motion to adjourn is requested.**