

STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
NORTH CAROLINA MEDICAL CARE COMMISSION MEETING
DOUBLETREE BY HILTON-ASHEVILLE-BILTMORE
115 HENDERSONVILLE ROAD ASHEVILLE, NORTH CAROLINA 28803
CONFERENCE ROOM BURGHLEY A

MEDICAL CARE COMMISSION QUARTERLY MEETING
MAY 15, 2015
9:00 A.M.

AGENDA

I. MEETING OPENS

II. CHAIRPERSON’S COMMENTS – Dr. John A. Fagg will comment on matters of importance to the Commission, including the undertaking of a discussion of the Commission’s policies governing the issuance of tax-exempt debt and compliance with the rules, regulations and contractual obligations created thereby. Question: Does anyone have any conflict of interest with any agenda item before the Commission today?

III. APPROVAL OF MINUTES from the February 11 & 12, 2015 Medicaid Reform Meeting and the February 13, 2015 Medical Care Commission Quarterly Meeting is requested (**attached as Exhibits A – A/1**).

IV. ADOPTION OF RESOLUTION OF APPRECIATION.....Dr. Fagg

- **George H. V. Cecil (Exhibit A/2 will be provided at the meeting).**

V. DIVISION DIRECTOR’S REPORT – Drexdal R. Pratt

Mr. Pratt will report on matters of interest to the Commission. Other items to report on are listed below (see **Exhibits B-B/5**):

1. Quarterly Report on Bond Program (**attached as Exhibit B**).
2. Report on 30 Years of Issuance Data July 1, 1984 - June 30, 2014 (**attached as Exhibit B/1**).
3. The Executive Committee held telephone conference meetings on the following dates:

February 27, 2015 – To consider (1) a conversion of the Series 2006 Bonds for Duke Health, (2) a preliminary refunding for United Church Homes and Services and (3) a resolution authorizing the sale and issuance of bonds, the proceeds of which will be loaned to Mission Health System, Inc. (**attached as Exhibit B/2**).

March 17, 2015 – To consider (1) a resolution authorizing the sale and issuance of bonds, the proceeds of which will be loaned to University Health Systems of Eastern Carolina, Inc. d/b/a Vidant Health and Pitt County Memorial Hospital, Incorporated d/b/a Vidant Medical Center, (2) the extension of the bank holding period for the Commission’s Health Care Facilities Revenue Bonds (Duke University Health System) Series 2006, consisting of Series 2006A, Series 2006B and Series 2006C and (3) authorize the financing of certain health care equipment for the benefit of Duke

University Health System, Inc. pursuant to a master lease and sublease agreement. **(attached as Exhibit B/3).**

March 24, 2015 – To consider a resolution authorizing the issuance and sale of bonds, the proceeds of which will be loaned to United Church Homes and Services and to discuss Rex Hospital’s Immediate Jeopardy Status. **(attached as Exhibit B/4).**

April 2, 2015 – To consider a resolution authorizing the sale of bonds, the proceeds of which will be loaned to Maryfield, Incorporated. **(attached as Exhibit B /5).**

VI. PRESENTATIONKathy Larrison & Crystal Watson-Abbott
 Update on Quarterly 2013 Bond Compliance Examinations. **(Exhibit C will be provided at the meeting).**

VII. BOND PROJECTS

A. Deerfield Episcopal Retirement Community, Inc. – Asheville, NC - Christopher B. Taylor

Resolution: The Commission grants preliminary approval to a financing for Deerfield Episcopal Retirement Community, Inc. to provide funds, to be used together with other available funds, to advance refund of the North Carolina Medical Care Commission \$47,945,000 Health Care Retirement Facilities First Mortgage Revenue Refunding Bonds (Deerfield Episcopal Retirement Community) Series 2008A, outstanding in the amount of \$46,945,000. The advance refunding is estimated to generate \$2.4 million or 5% of the refunded bonds in savings. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$54,745,000
Debt service reserve fund from Series 2008A Bonds	5,477,613
Principal and Interest accounts from 2008 A Bonds	<u>707,447</u>
Total Sources	
\$60,930,060	

ESTIMATED USES OF FUNDS

Escrow to advance refund Series 2008A Bonds (principal and interest to call date)	\$54,781,941
Debt service reserve fund	5,068,925
Underwriter’s discount	739,058
Bond counsel	75,000
Corporation counsel	25,000
Underwriter’s counsel	50,000
Local Government Commission	8,750
Rating agency	50,000
Title recording	30,000
Survey	35,000
Environmental	5,000
Auditors	30,000

Bond trustee	6,000
Trustee counsel	6,500
Printing official statement	8,500
Miscellaneous	_____
<u>10,386</u>	
Total Uses	
\$60,930,060	

Tentative approval is given with the understanding that the governing board of Deerfield Episcopal Retirement Community, 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.
7. 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.
8. 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.
9. The borrower will furnish, prior to the sale of or reissuance of the bonds or notes or execution of the leases, evidence that it is in compliance with the covenants of all of its outstanding Medical Care Commission debt.

10. 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
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Notes:

(1) Information from 2014 Audit

Operating income	\$5,531,313
Change in unrestricted net assets	\$4,579,212
Change in net assets	\$4,404,617
Net cash provided by operating activities	\$10,345,889
Net change in cash	\$10,769,974

(2) Rating: BBB+ from Fitch

(3) Long Term Service Coverage Ratios

Actual FYE	2014	2.26
Projected FYE	2015	1.98
Projected FYE	2016	2.00
Projected FYE	2017	2.00

(4) Community Benefit Percentage G.S. 105- for FYE 2014

G.S. 105 Percentage - 5.30%
 Property tax exemption - 100%

(5) Transaction Participants

Underwriter - Ziegler Securities
 Borrowers counsel - McGuire Woods & Bissette
 Bond counsel - Womble Carlyle Sandridge & Rice, LLP
 Bond trustee - US Bank
 Underwriter's counsel - Robinson Bradshaw & Hinson, PA

B. Iredell Memorial Hospital, Incorporated – Statesville, NC - Christopher B. Taylor

Resolution: The Commission grants preliminary approval to a conversion/reissuance of the North Carolina Medical Care Commission \$39,465,000 Variable Rate Demand Hospital Revenue Bonds (Iredell Memorial Hospital) Series 2007. The Bonds are currently held by Wells Fargo as Bank Bought Bonds and carry an interest rate of 70% of One Month LIBOR Plus .75% with a holding period ending June 30, 2015. After the conversion/reissuance the Bonds will be held as Bank Bought Bonds by Branch Banking & Trust Company and bear interest at a rate of 68% of one month LIBOR plus .79% for a three year holding period ending June 30, 2018. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of Bonds to be refunded/converted	\$29,215,000
Equity contribution from Iredell Memorial Hospital	<u>80,000</u>
Total Sources	\$29,295,000

ESTIMATED USES OF FUNDS

Amounts to reissue Series 2007 Bonds	\$29,215,000
Corporation counsel	30,000
Bond counsel	20,000
Bank counsel	<u>30,000</u>
Total Uses	\$29,295,000

Tentative approval is given with the understanding that the governing board of The Iredell Memorial Hospital, 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/conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance/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/conversion of bonds for this project and may approve the issuance/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 converted/reissued 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. The borrower will furnish, prior to the sale of or reissuance of the bonds or notes or execution of the leases, evidence that it is in compliance with the covenants of all of its outstanding Medical Care Commission debt.
10. 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 | <u> √ </u> | Yes | <u> </u> | No | <u> </u> | N/A |
| 2. Construction and related costs are reasonable | <u> </u> | Yes | <u> </u> | No | <u> √ </u> | N/A |

Notes:

(1) Information from 2014 Audit

Operating Income (Less)	(\$4,415,738)
Increase (decrease) in unrestricted Net Assets	(\$2,689,003)
Increase (decrease) in Net Assets	(\$2,689,003)
Net Cash Provided by Operating Activities	\$9,146,175
Net Increase (Decrease) in Cash and Cash Equivalents	\$151,275

(2) Rating: The Bonds are currently held as Bank Bought Bonds and are not rated.

(3) Community Benefits Per NCHA ANDI Report

Community Benefits	\$34,793,901
Bad Debts	<u>\$13,183,061</u>
Total	<u>\$47,976,962</u>

(4) Long Term Debt Service Coverage Ratios

Actual	FYE 2014	<u>2.3</u>
Forecasted	FYE 2015	<u>5.94</u>
Forecasted	FYE 2016	<u>6.24</u>
Forecasted	FYE 2017	<u>7.04</u>

(5) Transaction Participants

Bank Purchaser of Bonds	Branch Banking & Trust Company
Bond Counsel	Robinson Bradshaw & Hinson, PA
Corporation Counsel	Womble Carlyle Sandridge & Rice, LLP
Bank Counsel	Moore & Van Allen, PLLC
Trustee	Wells Fargo

VI. OLD BUSINESS

None to report

VIII. NEW BUSINESS

Periodic Review of Existing Rules (HB 74) – Initial Category Determination - Nadine Pfeiffer – (attached as Exhibits D –D/1).

10A NCAC 13P, Emergency Medical Services and Trauma Rules

IX. MCC MEETING DATE CHANGE – In order to accommodate the rule-making process, we are requesting to move the August meeting to July 9-10, 2015.

X. REFUNDING OF COMMISSION BOND ISSUES

Recommended:

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 July 10, 2015 in Raleigh, North Carolina;

THEREFORE, BE IT RESOLVED; that the Commission authorize its Executive Committee to approve projects involving the refunding of existing Commission debt between this date and July 10, 2015.

XI. MEMBER REPORT

XII. QUESTIONS FROM THE PUBLIC - The Chairperson will receive questions from the public.

XIII. ADJOURNMENT - A motion to adjourn is requested.

