

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
PLANNING SESSION
February 12, 2015
1:00 P.M.

MEDICAL CARE COMMISSION QUARTERLY MEETING
DIVISION OF HEALTH SERVICE REGULATION
801 BIGGS DRIVE, RALEIGH NC 27603
BROWN BUILDING CONFERENCE ROOM- 104
February 13, 2015
9:00 A.M.

MINUTES

I. MEDICAL CARE COMMISSION PLANNING SESSION– February 12, 2015

MEMBERS PRESENT	MEMBERS ABSENT
John A. Fagg, M.D., Chairperson Joseph D. Crocker, Vice-Chairperson George A. Binder, M.D. George H.V. Cecil Harold Garland Charles H. Hauser Eileen C. Kugler, RN, MSN, MPH, FNP Albert F. Lockamy, Jr., RPh G. Wayne Long Paul McGill, D.D.S. Mary L. Piepenbring Carl K. Rust, M.D. Robert E. Schaaf, M.D. Henry A. Unger, M.D.	Charles T. Frock Elizabeth P. Kanof, M.D. Paul M. Wiles
<u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u>	
Drexdal Pratt, Director, DHSR/Secretary, MCC Christopher B. Taylor, CPA, Assistant Secretary, MCC Cheryl Ouimet, Chief Operating Officer, DHSR Bethany Burgon, Attorney General's Office Steven Lewis, Chief, Construction Section, DHSR Megan Lamphere, Chief, Adult Care Licensure Section, DHSR Nadine Pfeiffer, Rules Coordinator, DHSR Jan Brickley, RPh, Adult Care Licensure Section, DHSR Diana Barbry, Executive Assistant, DHSR Alice Creech, Executive Assistant, MCC	

COMMISSION ACTION:

The Medical Care Commission held its planning meeting on Thursday, February 12, 2015 to review the agenda for Friday, February 13, 2015. Dr. Fagg welcomed everyone to the meeting and thanked Ms. Pfeiffer for coming early and being flexible. Ms. Pfeiffer gave an update on the (HB-74) Periodic Review of Existing Rules (Review of Public Comments) **10A NCAC 13L-Nursing Pool Licensure, 10A**

NCAC 13M-Mammography and Pap Smear Certification, 10A NCAC 130-Health Care Personnel Registry, Rules for Initiating Rulemaking Approval (Permanent Health Care Cost Reduction & Transparency). Ms. Pfeiffer presented comments regarding the Family Care and Adult Care Home rule change on Medication Packaging. Ms. Pfeiffer asked Ms. Jan Brickley, a Pharmacist with the Adult Care Licensure Section to explain the proposed medication packaging rule change for Family Care and Adult Care Homes to the Commission. The meeting was adjourned with no action being taken by the Commission.

II. MEDICAL CARE COMMISSION MEETING – February 13, 2015

MEMBERS PRESENT	MEMBERS ABSENT
John A. Fagg, M.D., Chairperson Joseph D. Crocker, Vice-Chairperson George A. Binder, M.D. George H.V. Cecil Harold Garland Charles H. Hauser Eileen C. Kugler, RN, MSN, MPH, FNP Albert F. Lockamy, Jr., RPh G. Wayne Long Paul McGill, D.D.S. Mary L. Piepenbring Carl K. Rust, M.D. Robert E. Schaaf, M.D. Henry A. Unger, M.D.	Charles T. Frock Elizabeth P. Kanof, M.D. Paul M. Wiles
<u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u>	
Drexdal Pratt, Director, DHSR/Secretary, MCC Christopher B. Taylor, CPA, Assistant Secretary, MCC Cheryl Ouimet, Chief Operating Officer, DHSR Bethany Burgon, Attorney General's Office Patsy Christian, PhD, RN, Asst. Director/Healthcare Quality and Safety, DHSR Steven Lewis, Chief, Construction Section, DHSR Azzie Conley, Chief, Acute and Home Care, DHSR Nadine Pfeiffer, Rules Coordinator, DHSR Megan Lamphere, Chief, Adult Care Licensure Section, DHSR Jan Brickley, RPh, Adult Care Licensure Section, DHSR Diana Barbry, Executive Assistant/DHSR Alice Creech, Executive Assistant/MCC	

III. CHAIRPERSON'S COMMENTS – Dr. Fagg welcomed everyone to the meeting and thanked the Commission for a very meaningful and productive Medicaid Reform meeting and Planning Session Meeting. He told the Commission they had a form of a proposal on Medicaid Reform that they would go over at the end of the meeting. Dr. Fagg then questioned the Members to see if anyone had a conflict of interest with anything coming before the Commission. Dr. Fagg reminded the Members that in accordance with the Advisory Opinion dated November 19, 2010, any Commission Member with \$10,000

or more invested in a particular bank would need to abstain from voting on a project, in which the bank was involved.

IV. APPROVAL OF MINUTES from the November 14, 2014 meeting is requested (**attached as Exhibit A**)

Commission Action: Motion was made by Mr. Crocker, seconded by Dr. Binder and unanimously approved.

V. DIVISION DIRECTOR'S REPORT – Drexdal Pratt

Mr. Pratt reported on the Division's Budget. He reported that the Budget Office would know more in April regarding vacant positions and any other budget cuts that might take place. Other items of note are listed below (see Exhibits B-B/2)

1. Quarterly Report on Bond Program (attached as Exhibit B)

2. Review of Minutes of the Executive Committee Meetings

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

December 10, 2014 – (attached as Exhibit B/1) – To (a) authorize the sale of bonds, the proceeds of which are to be loaned to The United Methodist Retirement Home, Incorporated and (b) authorize the execution and delivery of a First Supplemental Trust Agreement for the 2014A Bonds issued for the benefit of the Corporation.

January 27, 2015 – (attached as Exhibit B/2) - To consider a resolution which grants preliminary approval to a project for Mission Health System, Inc. and to consent to a sale of a facility by DePaul and the accompanying redemption of the Bonds associated with the facility.

Commission Action: Motion was made by Mr. Crocker, seconded by Dr. Binder and unanimously approved.

VI. PRESENTATION.....Crystal Watson-Abbott
Update on FYE 2013 Bond compliance examinations during the quarter (**attached as Exhibit C**)

VII. BOND PROJECTS

A. Moravian Home, Inc. (d/b/a Salemtowne), Winston Salem - Christopher B. Taylor and Steven C. Lewis

Statements were given by: Joseph Lydon and Carolyn Twisdale of Salemtowne and Richard Marvin of PFM.

Commission Action: Motion was made by Dr. Rust, seconded by Mr. Cecil and unanimously approved.

Resolved: The Commission grants preliminary approval to a project for Moravian Home, Inc. to provide funds, to be used together with other available funds, for a project for the expansion and

repositioning of Moravian Home, Inc. to be completed in two phases. Phase one (1) will be the construction of a new nursing facility with 60 skilled, 40 rehabilitation and 20 assisted living memory care beds. Phase two (2) will be the renovation of the existing Phillips Health Care Center (Skilled Nursing Facility) to be used as 46 assisted living apartments. Phase one (1) costs are in accordance with a preliminary application, plans and specifications and participation as follows: Phase two (2) is not a part of this application:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	<u>\$37,255,000</u>
Total Sources	\$37,255,000

ESTIMATED USES OF FUNDS

Site Cost	\$3,800,000
Site utility development and accessibility costs	1,250,000
Construction contracts	25,299,700
Construction contingency (5% of construction contract)	253,000
Architect/engineer fees and reimbursables	1,535,000
Surveys, tests, insurance	648,000
Consultants' fees related to construction Owner Representation	400,000
Consultants' fees related to construction Project Management	560,000
Marketing costs	115,000
Interior Design	118,000
Debt service reserve fund	2,437,000
Underwriters' discount/placement fee	447,000
Feasibility fees	100,000
Accountants fees	20,000
Legal fees for corporation counsel	25,000
Bond counsel	60,000
Miscellaneous	35,550
Trustee fees	2,500
Printing	4,000
DHSR Construction Project Review fee (GS 131E-267)	41,500
Local Government Commission fee	8,750
Financial advisor fee	40,000
Survey	15,000
Title Policy	20,000
Appraisal	<u>20,000</u>
Total Uses	\$37,255,000

Tentative approval is given with the understanding that the governing board of Moravian Home, Inc. (d/b/a Salemtowne), 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

Notes:

(1)	<u>Information from 2014 Audit</u>	
	Operating Loss	(\$241,444)
	Increase in Unrestricted Net Assets	\$2,351,795

Change in Net Assets	\$2,467,156
Net Cash Provided by Operating Activities	\$2,234,645
Net increase (decrease) in Cash and Cash Equivalents (A)	(\$1,310,439)
(A) Due primarily to purchase of property and equipment	

- (2) Rating- Neither the entity or its bonds are rated.
- (3) Community Benefits per GS 105 for 100% of Property Tax Exemption 10.61%

- (4) **Long Term Debt Coverage:**
 Actual FYE 2014 1.55
 Forecasted FYE 2015 2.65
 Forecasted FYE 2016 2.43
 Forecasted FYE 2017 2.18

- (5) **Transaction Participants:**
 Underwriter Ziegler
 Bond Counsel Robinson Bradshaw & Hinson, PA
 Underwriter Counsel Parker Poe Adams & Bernstein, LLP
 Corporation Counsel Womble Carlyle Sandridge & Rice, LLP
 Financial Advisor PFM
 Trustee Bank of New York Mellon Trust Company

B. Richard Marvin of PFM asked the Commission to consider non-investment grade double BB Bonds for the Salemtowne Bond Issue. The Commission stated that they would need more education on the double BB rating proposal and were not in favor of approving this type of rating for the Commission's Bonds.

Commission Action: Motion was made by Dr. Fagg, seconded by Dr. Schaaf and unanimously approved not to allow use of BB rated bonds for the Salemtowne Bond Issue.

C. Maryfield, Inc. d/b/a Pennybyrn at Maryfield, High Point Christopher B. Taylor

Statements were given by: Mike Kelly of Ziegler, Sister Lucy Hennessey, Rich Newman, and Ted Shalek of Pennybyrn at Maryfield.

Commission Action: Motion was made by Dr. Binder, seconded by Mr. Long and unanimously approved.

Resolved: The Commission grants preliminary approval to a project for Maryfield, Inc. to provide funds, to be used together with other available funds, to refund the North Carolina Medical Care Commission First Mortgage Revenue Bonds (Pennybyrn at

Maryfield Project) \$67,315,000 Series 2005A, \$3,000,000 Series 2005B and the \$5,000,000 First Mortgage Revenue Refunding Bond Series 2010. The refunding is expected to generate approximately \$4.52 million in net present value savings or approximately 6.68%. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$69,980,000
Series 2005 Debt Service Reserve Fund	5,384,842
Series 2005 Principal Account	712,500
Corporation equity contribution	<u>54,330</u>
Total Sources	\$76,131,672

ESTIMATED USES OF FUNDS

Amount to refund Series 2005A, Series 2005B & Series 2010 Bonds	\$69,514,641
Debt Service Reserve Fund	5,159,830
Underwriter fees	1,119,680
Bond counsel	90,000
Corporation counsel	35,000
Underwriters' counsel	55,000
Accountants fees	50,000
Local Government Commission fee	8,750
Title survey and environmental	65,000
Bank trustee and counsel	10,500
Printing	8,500
Verification agent	1,500
Miscellaneous	<u>13,271</u>
Total Uses	\$76,131,672

Tentative approval is given with the understanding that the governing board of Maryfield, 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

Notes:

(1) Information from 2014 Audit

Operating Income	\$634,321
Change in Unrestricted Net Assets	\$714,373
Change in Net Assets	\$1,086,747
Net Cash Provided by Operating Activities	\$4,973,247
Net Decrease in Cash and Cash Equivalents	(\$1,547,100)

(2) Rating: Neither Maryfield or the existing bonds are rated.

(3) Community Benefits Percentage (GS 105)

FYE 2013 for 100% property tax exemptions 6.13%

(4) **Long Term Debt Service Coverage Ratio:**

Actual FYE 2013 1.40
Forecasted FYE 2014 1.39
Forecasted FYE 2015 1.35
Forecasted FYE 2016 1.44

(5) **Transaction Participants:**

Underwriter	Ziegler Securities
Bond counsel	Womble Carlyle Sandridge and Rice, LLP
Borrower counsel	Keziah Gates & Samet, LLP
Underwriter counsel	Parker Poe Adams & Bernstein, LLP
Trustee	Bank of New York Mellon Trust Company
Trustee counsel	Nexsen Pruet, PLLC

D. **Rex Healthcare, Raleigh** Christopher B. Taylor and Steven C. Lewis

Statements were given by: Bernadette Spong, Steve Burriss, and John Miller of Rex Healthcare and John Cheney of Ponder & Company.

Commission Action: Motion was made by Mr. Lockamy, seconded by Ms. Kugler and unanimously approved with Dr. Unger, Dr. Schaaf, Mr. Cecil, Dr. Rust and Dr. Binder abstaining from the vote.

Resolved: The Commission grants preliminary approval to a project for Rex Healthcare that encompasses 300,000 square feet and will include an 8-story bed tower and adjacent 4-story diagnostic and treatment building connected to the northwest quadrant of the existing Rex Hospital. A newly-constructed 400 car parking deck is also part of the Project. The Project will consolidate services now offered at seven locations throughout the Rex Hospital campus: (1) 0 Level – mechanical, (2) 1st Level – preparation and recovery rooms (40 beds) and observation (8 beds); also, conference center, café, administration and parking deck (4 levels), (3) 2nd Level – heart and vascular procedure rooms (5), 2 operating rooms, 4 cath labs, 2 EP labs, 10 PACU rooms, cardiac rehabilitation area, gift shop, family resource center, main lobby and registration, (4) 3rd Level – noninvasive cardiology, (5) 4th Level – cardiovascular intensive care unit (20 beds), (6) 5th Level – acuity adaptable (22 beds) and (7) 6th to 8th – telemetry (24 beds each floor). The project is in accordance with a preliminary application, plans and specifications and participation as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$150,000,000
Cash and negotiable securities from reserves	75,000,000
Other (Philanthropic sources)	<u>20,000,000</u>
Total Sources	\$245,000,000

ESTIMATED USES OF FUNDS

Site utility development and accessibility costs	\$20,346,111
Construction contracts	146,426,861
Construction contingency (1% of construction contract)	1,464,268
Architect/Engineer fees	9,813,239
Architect reimbursables	500,000
Consultants Fees	6,236,093
Moveable equipment	12,741,577
Surveys, tests, insurance	37,471,851
Bond interest during construction	8,934,000
Underwriters' discount/placement fee	162,500
Accountants fees	90,000
Legal fees for corporation counsel	70,000
Bond counsel	131,000
Rating agencies	150,000
Trustee fees	15,000
Printing costs	5,000
DHSR Construction Project Review Fee (GS 131E-267)	141,000
Local Government Commission fee	8,750
Bank Counsel	45,000
Underwriter's counsel	65,000
Financial Advisor	150,000
Contingency	<u>32,750</u>
Total Uses	\$245,000,000

Tentative approval is given with the understanding that the governing board of Rex Healthcare 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 of 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/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. 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 | √ | Yes | _____ | No | _____ | N/A |
| 2. Construction and related costs are reasonable | √ | Yes | _____ | No | _____ | N/A |

Notes:

(1) Information from June 2014 audit for Rex Healthcare, Inc. and Subsidiaries:

Operating Income	\$14,486,000
Change in net position	\$23,673,000
Net Cash provided by operating activities	\$77,735,000
Decrease in cash and cash equivalents	(\$14,960,000)

(2) Ratings:

Moody's	<u>A1</u>
Standard & Poor's	<u>AA-</u>
Fitch	<u>AA-</u>

(3) **Community Benefits per NCHA ANDI Report FYE 2014:**

Total Community Benefits	\$90,269,878
Estimated Cost of Treating Bad Debt Patients	\$11,719,317

(4) **Long Term Debt Service Coverage Ratios:**

Actual FYE 2014	5.69
Forecasted FYE 2015	4.2
Forecasted FYE 2016	4.7
Forecasted FYE 2017	5.2

(5) **Transaction Participants:**

Underwriter	Bank of America Merrill Lynch
Co-manager	Wells Fargo Securities
Bond counsel	Womble Carlyle Sandridge & Rice, LLP
Underwriter's counsel	McGuire Woods, LLC

E. Vidant Health, Greenville Christopher B. Taylor and Steven C. Lewis

Statements were given by: Janet Mullaney, Joel Butler, David Hughes of Vidant Health and John Cheney of Ponder & Company.

Commission Action: Motion was made by Ms. Piepenbring, seconded by Mr. Long and unanimously approved with Dr. Binder, Dr. Rust, Dr. Schaaf, Dr. McGill, Dr. Unger, Mr. Lockamy and Mr. Cecil abstaining from the vote.

Resolved: The Commission grants preliminary approval to a project for University Health Systems of Eastern Carolina, Inc. d/b/a Vidant Health to provide funds, to be used together with other available funds, to finance the building of a new 418,000 square foot, six story bed tower that will allow Vidant Medical Center to consolidate existing cancer services and add 65 acute beds in a single state of the art building. The building shall consist of 140,000 feet of outpatient cancer clinic, radiation oncology, infusion services, pharmacy, lab, and administration office space located on the first floor. The second and fourth floors shall consist of 48 inpatient beds and clinical space on each floor. The third floor shall house the mechanical, electrical and support space. The fifth and sixth floors will be used for storage, leaving space for possible expansion. The project also includes the refunding of the North Carolina Medical Care Commission \$119,715,000 Series 2008D Health Care Facilities Revenue Refunding Bonds (University Health System of Eastern Carolina) outstanding in the amount of \$119,715,000 and the acquisition of routine equipment in the amount of \$39,000,000. All in accordance with a preliminary application, plans and specifications and participation as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$300,805,000
Original Issue Premium	20,841,602
Cash and negotiable securities from reserves	11,278,296
Interest earned during construction	1,014,393
Cash reserves fundraising contribution	<u>40,000,000</u>
Total Sources	\$373,939,291

ESTIMATED USES OF FUNDS

Land acquisition	\$35,000
Site utility development and accessibility costs	4,000,000
Construction contracts	133,500,900
Construction contingency (3% of construction contract)	4,400,000
Architect/engineer fees and reimbursables	10,607,500
Moveable equipment for the project	18,262,500
Escrow amount to refund bonds	144,734,155
Other Equipment– See Attachment G	39,000,000
Bond interest during construction	16,697,525
Underwriters' discount/placement fee	1,759,709
Accountants fees	100,000
Legal fees for corporation counsel	55,000
Bond counsel	128,000
Rating agencies	175,000
Trustee fees	6,000
Printing costs	5,000
DHSR Construction Project Revenue (GS 131E-267)	194,100
Local Government Commission fee	8,750
Financial Advisor	150,000
Underwriter's Counsel	90,000
Escrow Verification Agent	5,000
Miscellaneous	<u>25,152</u>
Total Uses	\$373,939,291

Tentative approval is given with the understanding that the governing board of University Health Systems of Eastern Carolina, Inc. d/b/a Vidant Health 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 of 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/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. 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: for University Health Systems of Eastern Carolina, Inc. d/b/a Vidant Health.

Income from operations	\$82,469,000
Increase in net position	\$72,432,000
Net cash provided by operating activities	\$143,751,000
Net increase (decrease) in cash and cash equivalents	\$33,196,000

(2) Ratings:

Moody's	<u>A1</u>
Standard & Poor'	<u>A+</u>
Fitch	<u>A+</u>

(3) Community Benefits from 2013 ANDI Report Vidant Health:

Total Community Benefits	\$119,461,621
Estimated costs of treating bad debt patients	\$49,825,696

(4) Long Term Debt Coverage Ratios:

Actual	2014	3.7
Forecasted	2015	3.4
Forecasted	2016	3.3
Forecasted	2017	3.5

(5) Transaction Participants:

Senior Manger	Citigroup
Co-Managers	Bank of America Merrill Lynch Edward Jones Wells Fargo Securities
Bond counsel	Womble Carlyle Sandridge & Rice, LLP
Underwriter counsel	Robinson Bradshaw & Hinson, PA
Corporation counsel	K & L Gates
Financial Advisor	Ponder & Company
Trustee	US Bank

VI. OLD BUSINESS

A. RULES FOR FINAL ADOPTION – (Exhibits D/1-D/4) Nadine Pfeiffer

- (1) Rules for the Licensing of Homes for Developmentally Disabled Adults**
10A NCAC 13H.0101-.0104 Nadine Pfeiffer

Commission Action: Motion was made to repeal the rules for Homes for Developmentally Disabled Adults Licensing by Mr. Cecil, seconded by Dr. McGill and unanimously approved.

- (2) Rules for the Licensing of Homes for the Aged and Infirm (Adult Care Homes)
Nadine Pfeiffer & Jan Brickley
- (3) Rules for the Licensing of Family Care Homes
Nadine Pfeiffer & Jan Brickley

Statements were given by: Ms. Kugler, Ms. Piepenbring, Dr. Rust, Ms. Messer, and Ms. Lamphere.

Commission Action: Motion was made by Ms. Kugler, seconded by Mr. Crocker and unanimously approved to allow Adult Care Homes and Family Care Homes to package medication needed for a resident in the leave of absence from a facility.

B. PERIODIC REVIEW OF EXISTING RULES (HB-74) – Review of Public Comments
Exhibits E/1-E/9 Nadine Pfeiffer

- (1) **10A NCAC 13L-Nursing Pool Licensure**
Commission Action: Motion was made to approve the Nursing Home Pool Licensure Rules report final category determination by Mr. Cecil, seconded by Dr. McGill and unanimously approved.
- (2) **10A NCAC 13M- Mammography and Pap Smear Certification**
Commission Action: Motion was made to approve the Mammography and Pap Smear Rules report final category determination by Mr. Garland, seconded by Mr. Cecil and unanimously approved.
- (3) **10A NCAC 13O- Health Care Personnel Registry**
Commission Action: Motion was made to approve the Health Care Personnel Registry Rules report final category determination by Ms. Kugler, seconded by Mr. Hauser and unanimously approved.

VIII. NEW BUSINESS

(A) RULES FOR INITIATING RULEMAKING APPROVAL

- (1) **Permanent Health Care Cost Reduction & Transparency.....(attached as Exhibits F/1-F/4)**
Commission Action: Motion was made to approve the fiscal note by Dr. McGill, seconded by Mr. Garland and unanimously approved.

Commission Action: Motion was made to approve the revisions of the Permanent Health Care Cost Reduction & Transparency Rules by Ms. Kugler, seconded by Mr. Hauser and unanimously approved.

- (2) Rules for the licensing of HospitalsNadine Pfeiffer
10A NCAC 13B

Commission Action: Motion was made to approve 10A NCAC 13B Rules for the licensing of Hospitals by Dr. McGill, seconded by Mr. Garland and unanimously approved.

- (3) Rules for the licensing of Ambulatory Surgical Facilities
10A NCAC 13C.....Nadine Pfeiffer

Commission Action: Motion was made to approve 10A NCAC 13C Rules for the licensing of Ambulatory Surgical Facilities by Mr. Crocker, seconded by Dr. McGill and unanimously approved.

IX. REFUNDING OF COMMISSION BOND ISSUES

Commission Action: Motion was made to approve Refunding of Commission Bond Issues by Mr. Hauser, seconded by Mr. Crocker and unanimously approved.

Resolved:.....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 May 14, 2015 in Asheville, 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 May 14, 2015.

X. MEDICAID REFORM STATEMENT OF POSITION - (attached as Exhibit H)

Dr. Fagg told the Members that they should have a Position Statement before them from the Medicaid Reform Meeting that he, Mr. Crocker, Dr. Schaaf, and Bethany Burgon had put together on the previous evening. The statement was consolidated from notes that they had taken and from your notes that were passed to them during the Medicaid Reform Meeting. Dr. Fagg said it would be positive and helpful to discuss each paragraph and then discuss the whole document. After the Commission went over each paragraph, Dr. Fagg said the Position Statement would go out on Medical Care Commission letterhead to the Governor, General Assembly, and News Media and would be emailed to the Medical Care Commission Members.

Commission Action: Motion was made to approve this document by Dr. McGill, seconded by Mr. Garland and unanimously approved.

- XI. QUESTIONS FROM THE PUBLIC** - The Chairperson will receive questions from the public.
- XII. EXECUTIVE COMMITTEE** - Assuming the Bond Market holds, we are requesting that the Executive Committee convene on February 27, 2015 to consider preliminary approval to a refunding project for United Church and final approval to a bond sale for Mission Health.
- XIII. ADJOURNMENT** – There being no further business the meeting was adjourned at 1:00 p.m.

Drexdal Pratt, Secretary

A handwritten signature in black ink, appearing to read 'Drexdal Pratt', with a horizontal line extending to the right from the end of the signature.

Date: April 1, 2015