

DEPARTMENT OF HEALTH AND HUMAN SERVICES
MEDICAL CARE COMMISSION QUARTERLY MEETING
DIVISION OF HEALTH SERVICE REGULATION
801 BIGGS DRIVE, RALEIGH NORTH CAROLINA 27603
BROWN BUILDING CONFERENCE ROOM- 104
PLANNING SESSION
NOVEMBER 3, 2016
3:00 P.M.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
MEDICAL CARE COMMISSION QUARTERLY MEETING
DIVISION OF HEALTH SERVICE REGULATION
801 BIGGS DRIVE, RALEIGH NORTH CAROLINA 27603
BROWN BUILDING CONFERENCE ROOM- 104
NOVEMBER 4, 2016
9:00 A.M.
MINUTES

I. MEDICAL CARE COMMISSION PLANNING SESSION– NOVEMBER 3, 2016

MEMBERS PRESENT	MEMBERS ABSENT
John A. Fagg, M.D., Chairman Joseph D. Crocker, Vice-Chairman Robert S. Alphin, M.D. Vickie L. Beaver Charles T. Frock Charles H. Hauser Kenly P. Lewis, D.D.S. Albert F. Lockamy, Jr., RPh Mary L. Piepenbring Carl K. Rust, II, M.D. Devdutta G. Sangvai, M.D. Robert E. Schaaf, M.D. Henry A. Unger, M.D. Paul M. Wiles	Eileen C. Kugler, RN, MSN, MPH, FNP G. Wayne Long
<u>DIVISION OF HEALTH SERVICE REGULATION</u> <u>STAFF</u> Mark Payne, Director, DHSR/Secretary, MCC Christopher Taylor, CPA, Assistant Secretary, MCC Cheryl Ouimet, Chief Operating Officer, DHSR Steven Lewis, Chief, Construction Section, DHSR Azzie Conley, Chief, Acute & Home Care Licensure, DHSR (Via Conference Call) Tom Mitchell, Chief, Office of Emergency Medical Services Bethany Burgon, Assistant Attorney General Nadine Pfeiffer, Rules Coordinator, DHSR Alice Creech, Executive Assistant, MCC	

COMMISSION ACTION:

The Medical Care Commission held its planning meeting on Thursday, November 3, 2016 to review rules on the agenda for Friday, November 4, 2016. The agenda was referred without action to the Medical Care Commission meeting on November 4, 2016.

II. MEDICAL CARE COMMISSION MEETING –NOVEMBER 4, 2016

MEMBERS PRESENT	MEMBERS ABSENT
John A. Fagg, M.D., Chairman Joseph D. Crocker, Vice-Chairman Robert S. Alphin, M.D. Vickie L. Beaver Charles T. Frock Charles H. Hauser Kenly P. Lewis, D.D.S. Albert F. Lockamy, Jr., RPh Mary L. Piepenbring Carl K. Rust, M.D. Robert E. Schaaf, M.D. Henry A. Unger, M.D. Paul M. Wiles	Eileen C. Kugler, RN, MSN, MPH, FNP G. Wayne Long Devdutta G. Sangvai, M.D.
<u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u>	
Mark Payne, Director, DHSR/Secretary, MCC Christopher Taylor, CPA, Assistant Secretary, MCC Emery Milliken, Deputy Director, DHSR Cheryl Ouimet, Chief Operating Officer, DHSR Steven Lewis, Chief, Construction Section, DHSR Megan Lamphere, Chief, Adult Care Licensure Section Tom Mitchell, Chief, Office of Emergency Medical Services Wally Ainsworth, Office of Emergency Medical Services Jeff Harms, Assistant Chief, DHSR Construction Bethany Burgon, Assistant Attorney General Nadine Pfeiffer, Rules Coordinator, DHSR Alice Creech, Executive Assistant, MCC	

OTHER ATTENDANCE: (attached as Exhibit G)

III. CHAIRMAN’S COMMENTS:

Dr. John Fagg called the meeting to order at 9:00 a.m. He welcomed everyone to the meeting and asked the members of the public to please to sign in.

IV. INTRODUCTION OF NEW COMMISSION MEMBER:

Dr. Fagg asked our new dentist Kenly P. Lewis to introduce herself. Dr. Lewis represents the NC Dental Society and replaces our retiring member Dr. Paul McGill.

V. **RESOLUTIONS OF APPRECIATION FOR PRESENTATION TO THE FOLLOWING RETIRING MEMBERS**

- Elizabeth P. Kanof, M.D. (**attached as Exhibit A**)
- Paul A. McGill, D.D.S. (**attached as Exhibit A-1**)
- Mary L. Piepenbring (**attached as Exhibit A-2**)

COMMISSION ACTION: Motion was made by Mr. Frock in favor of presenting the Resolutions of Appreciation, seconded by Mr. Hauser, and unanimously approved.

VI. **APPROVAL OF MINUTES** from the August 12, 2016 Medical Care Commission Quarterly Meeting was requested (**attached as Exhibit A/3**).

COMMISSION ACTION: Motion to approve the Minutes was made by Mr. Crocker, seconded by Dr. Schaaf, and unanimously approved.

VII. **REPORT FROM MARK PAYNE, DIRECTOR OF HEALTH SERVICE REGULATION**

Mr. Payne informed the Commission of the State Health Coordinating Council completion of its work on the 2017 State Medical Facilities Plan on October 5 and its submission of the Plan to Governor McCrory for his review and approval.

He also informed the Commission of the State Health Coordinating Council establishment of an Operating Room Methodology Workgroup that is charged to review current operating room methods and assess it appropriately in all areas of the state for both inpatient and outpatient surgery and to prepare any recommended changes that may be needed for possible inclusion in the 2018 State Medical Facilities Plan.

Mr. Payne also commended staff for their response to Hurricane Matthew. He highlighted the work of our Radiation Protection Section, Office Emergency Medical Services, and licensure and construction sections. He informed the Commission that Emery Milliken will be facilitating a debriefing and refining of our emergency response policies and propose changes to enable us to be more effective in handling future events.

Other items reported on are listed below (**see Exhibits B-B/4**):

1. Quarterly Report on Bond Program (**attached as Exhibit B**) Chris Taylor
2. The Executive Committee held telephone conference call meetings on the following dates:

August 19, 2016 - To consider (1) a resolution authorizing the sale and issuance of bonds, the proceeds of which will be loaned to Mission Health System, Inc., Series 2016, (2) a resolution authorizing a forward delivery for Mission Health, Series 2017, (3) a resolution approving the release and termination of certain security instruments in connection with the sale of East Towne House and the partial redemption of the outstanding North Carolina Medical Care Commission First Mortgage Revenue Bonds (Community Facilities Project), Series 2007A, (4) a resolution for a waiver for Presbyterian Homes at Charlotte, (5) the form of a waiver related to Presbyterian Homes at Charlotte qualified intermediate term indebtedness, and (6) a resolution authorizing a preliminary refunding transaction for Southminster, Inc. (**attached as Exhibit B/1**).

September 9, 2016 - To consider (1) a resolution authorizing certain amendments to the Trust Agreement in connection with adjustments to the amortization requirements of the outstanding

North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (United Church Homes and Services), Series 2015B, (2) a resolution authorizing the sale of bonds, the proceeds of which are to be loaned to The Presbyterian Homes, Inc. and Glenaire, Inc., and (3) a resolution authorizing certain modifications of the existing Index Interest Rate Period for the North Carolina Medical Care Commission Variable Rate Demand Health Care Facilities Revenue Refunding Bonds (Novant Health Obligated Group), Series 2008A (**attached as Exhibit B/2**).

September 21, 2016 – To consider a resolution authorizing the sale of bonds for Halifax Regional Medical Center (**attached as Exhibit B/3**).

October 6, 2016 – To consider a resolution authorizing the sale of bonds for Southminster, and a preliminary approval for a refunding transaction for Blue Ridge Healthcare System, Inc. (**attached as Exhibit B/4**).

COMMISSION ACTION: Motion was made by Mr. Hauser to affirm the actions of the Executive Committee, seconded by Ms. Beaver, and unanimously approved.

VIII. PRESENTATIONS - (There were no educational presentations)

IX. COMPLIANCE DEFICIENCIES - Crystal Abbott gave an update on compliance. **(attached as Exhibit C)**

X. HOSPITAL IMPROVEMENTS WITHOUT TAX MONEY NEWSPAPER ADVERTISEMENT - Dr. John Fagg **(attached as Exhibit D)**

XI. WAYNE MEMORIAL HOSPITAL, GOLDSBORO Chris Taylor & Steven Lewis

Remarks were made by Becky Craig, Bob Enders, John Cheney, Dr. Wagstaff, and Rick Weeks all of Wayne Memorial Hospital. (**attached as Exhibit E**)

Remarks were made on behalf of the Commission by Mr. Hauser, Mr. Crocker, Dr. Rust, Dr. Schaaf, Dr. Fagg, Ms. Piepenbring, and Ms. Larrison.

Resolved: The Commission grants preliminary approval to a project for Wayne Memorial Hospital, Inc., to provide funds, to be used together with other available funds to fund the cost of the Surgical Services Renovation Project, 48,823 square feet of new construction and the renovation of 48,720 square feet, consisting of operating rooms, hybrid operating rooms, PACU, same day surgery, central sterile, endoscopy, pre-admission/anesthesia testing, registration, surgical waiting and adjoining support space areas (locker rooms, surgeon lounge, on call rooms, class rooms). The project also includes the replacement of four air-handling units in the main tower penthouse due to age. The proposed Bond Issue will also include the refinancing of the \$35,720,000 North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Refunding Bonds (Wayne Memorial Hospital) Series 2009 outstanding in the amount of \$32,015,000 all in accordance with a preliminary application, plans and specifications and participation as follows: This refinancing will be structured as a Bank Bought Bond Issue.

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$77,145,000
Other Wayne Memorial Hospital Cash Contribution	<u>228,895</u>
Total Sources	\$77,373,895

ESTIMATED USES OF FUNDS

Construction contracts	\$30,447,500
Construction contingency (1.4% of construction contract)	425,000
Architect/engineer fees and reimbursables	2,291,000
Moveable equipment	10,500,000
Surveys, tests, insurance	151,500
Amount required to refund Series 2009 Bonds	32,015,000
Bond interest during construction	1,160,000
Accountants fees	35,000
Corporation counsel	45,000
Bond counsel	85,000
Trustee fees	3,000
DHSR Construction Project Review Fee (GS 131E-267)	50,000
Local Government Commission fee	8,750
Financial Advisor	80,000
Bank Origination Fee	<u>77,145</u>
Total Uses	\$77,373,895

Tentative approval is given with the understanding that the governing board of Wayne 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 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. 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 of the bonds or notes, 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 | <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"/> | | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |

COMMISSION ACTION: Motion was made by Mr. Wiles to approve the Resolution, seconded by Dr. Schaaf, and unanimously approved with recusals from Dr. Fagg, Dr. Lewis, and Dr. Rust.

XII. NEW BUSINESS

A. MCC Bond Sale Approval Policy Dr. John Fagg

Whereas, the Commission (MCC) is desirous of having full and more timely information, as it relates to the pricing of and sale of tax-exempt debt, the Commission hereby adopts the following policy related to publicly offered bonds and privately placed bonds:

As to Publicly Offered Bonds the Following Shall Apply:

- (1) Preliminary Approval
The agenda item submitted for consideration for preliminary approval by the MCC of a proposed transaction shall include a summary of the best

estimate at the time of interest rates, maturities, true interest cost of the proposed bond issue and, if applicable, the estimated net present value savings on refunded bonds.

- (2) Mailing of Preliminary Official Statement
At time, the Preliminary Official Statement (POS) is delivered to potential investors, the MCC shall be provided with a summary of the proposed transaction including sources and uses, maturities, interest rates, and if applicable, projected net present value savings on refunded bonds.
- (3) Final Approval by Executive Committee

At time of the request for final approval of the bond sale, the MCC shall be provided with the final interest rates, maturities, true interest cost and, if applicable the net present value savings on refunded bonds, and a verbal explanation of the differences between the summary of the proposed transaction at the time of delivery of the POS, and at the time of final approval.

As to Privately Placed Bonds (Bank Bought Bonds) the Following Shall Apply:
The information provided above as part of the request for preliminary approval shall also be provided to the MCC in connection with a privately placed bond issue. The MCC shall also be provided as part of the Series Resolution, the maturity schedule and the interest rate as soon as they are available but no later than the day prior to the MCC meeting to consider final approval of the tax-exempt debt transaction.

The policy is effective as of the date of adoption.

COMMISSION ACTION: Dr. Fagg noted that more work needed to be done on this policy and the Commission would review it at our February Meeting.

XIII. OLD BUSINESS

A. Rules for Adoption - (Rules and Comments) Nadine Pfeiffer

- 1) Health Care Cost Reduction & Transparency Permanent Rules
(Azzie Conley & Nadine Pfeiffer)
Exhibits E-E/4
- a) Licensing of Hospitals, 10A NCAC 13B .2102
- b) Licensing of Ambulatory Surgical Facilities, 10A NCAC 13C .0206

COMMISSION ACTION: Motion was made by Mr. Hauser, seconded by Mr. Wiles, and unanimously approved to adopt these rules.

2) Emergency Medical Services and Trauma Tom Mitchell & Nadine Pfeiffer)
Exhibits E/5-E/11

- a) Readoption of 27 rules following Periodic Review (10A NCAC 13P)
- b) Amendment and Adoption of 18 rules (10A NCAC 13P)
- c) Republication of 1 rule (10A NCAC 13P .0203)

COMMISSION ACTION: Motion was made by Dr. Unger, seconded by Ms. Beaver, and unanimously approved to readopt these rules and republish with the condition that Ms. Burgon report back with terminology that is easy to understand for 10A NCAC 13P.0203.

B. Discussion of Hospital Periodic Rules Review - Dr. John Fagg and Nadine Pfeiffer
(Exhibits F-F/1)

- 1) Hospital Rules (10A NCAC 13B) (Flow Chart)
- 2) Public Comments to Subchapter 13B Licensing of Hospitals

XIV. ELECTION OF VICE-CHAIRMAN AND APPOINTMENT OF TWO MEMBERS TO THE EXECUTIVE COMMITTEE Dr. John Fagg

- (A) In accordance with General Statute 143B-168 the vice-chairman shall be elected by and from the members of the Commission and shall serve for a term of two years or until the expiration of his regularly appointed term.

COMMISSION ACTION: Dr. Fagg nominated Mr. Crocker to serve another two-year term as Vice-Chairman, Mr. Hauser seconded the nomination, and Mr. Crocker was elected by acclamation.

- (B) In accordance with 10A NCAC 13A.0101 Executive Committee, two members (of the Executive Committee) shall be appointed by the Chairman of the Commission at the (last meeting) of each even year.

COMMISSION ACTION: Dr. Fagg appointed Mr. Frock and Mr. Hauser to serve two-year terms on the Executive Committee expiring in December 2018.

XV. HOSPITAL TRANSPARENCY REGULATORY SUBCOMMITTEE – Dr. Fagg appointed the following to serve on a Regulatory Subcommittee to review the Hospital Rules related to medical staffing bylaws:

John A. Fagg, M.D.
Joseph D. Crocker
Charles T. Frock
Robert E. Schaaf, M.D.
Devdutta G. Sangvai, M.D.
Conor Brockett, JD, NC Medical Society

Mr. David Sousa or Mr. Jason Newton, NC Medical Mutual
Azzie Conley, Chief, Acute and Home Care Licensure
Bethany Burgon, NC Department of Justice
Nadine Pfeiffer, Rules Review Manger

XVI. REFUNDING OF COMMISSION BOND ISSUES

Chris Taylor

Resolved:

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 February 10, 2017 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 February 10, 2017.

COMMISSION ACTION: Motion was made in favor of the Resolution by Mr. Crocker, seconded by Dr. Schaaf, and unanimously approved.

XVII. MEDICAL CARE COMMISSION MEETING DATES FOR 2017 - Dr. Fagg informed Members of the Commission meeting dates in 2017, which are as follows:

February 9-10, 2017
May 11-12, 2017
August 10-11, 2017
November 2-3, 2017

XVIII. ADJOURNMENT

There being no further business, a motion was made to adjourn the meeting by Dr. Rust, seconded by Mr. Crocker and unanimously approved.

S. Mark Payne, Secretary

Date