

STATE OF NORTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

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

NOVEMBER 3, 2017  
9:00 A.M.

AGENDA

**I. Meeting Opens**

**II. Chairman's Comments** – Dr. John A. Fagg will comment on a *New York Times* article and other matters of importance to the Commission (**See Exhibit A**).

Does anyone have a conflict of interest with any agenda item before the Commission today?

**III. Approval of Minutes** from the August 11, 2017 Medical Care Commission Quarterly Meeting and the September 11, 2017 Full Commission Conference Call Meeting is requested (**See Exhibit A/1 and Exhibit A/2**).

**IV. Introduction of New Commission Members**.....Dr. John Fagg

- Dr. John Meier, Raleigh, NC
- Mr. Jeff Wilson, Wilmington, NC
- Mrs. Karen Moriarty, Raleigh, NC

**V. North Carolina Board of Ethics Letters**.....Dr. John Fagg

North Carolina Board of Ethics letters were read into the minutes. The following new members had the noted potential conflict of interests:

- Dr. John Meier – Wake Internal Medicine Consultants (**See Exhibit A/3**)
- Mr. Jeff Wilson – Liberty Healthcare Management and NC Health Care Facilities Association (**See Exhibit A/4**)

**VI. Resolution of Appreciation for the following retiring members:**.....Dr. John Fagg

- Dr. Carl Rust – August 11, 2017 (**See Exhibit A/5**)
- Dr. Henry Unger – November 3, 2017 (**See Exhibit A/6**)
- Mr. Paul Wiles – November 3, 2017 (**See Exhibit A/7**)

**VII. Division Director’s Report .....S. Mark Payne**

Mr. Payne will report on matters of interest to the Commission. Other items to report on are listed below:

1. Quarterly Report on Bond Program (**See Exhibit B**)
2. The following notices and non-action items were received by the Executive Committee:

**September 1, 2017 – Hugh Chatham 2008 (Conversion)**

- Change in bank holding period

**September 29, 2017 – Deerfield, Series 2008B (Redemption)**

- Outstanding Balance - \$30,350,000
- Funds were provided by Cash on Hand

**October 2, 2017 – Wake Forest Baptist, Series 2012C (Redemption)**

- Outstanding Balance - \$50,355,000
- Funds were provided by Wells Fargo

**October 2, 2017 – Wake Forest Baptist, Series 2012D (Conversion)**

- Change in interest rate and bank holding period

**October 18, 2017 (Notice) – Cape Fear Valley Health System, Series 2008A (Redemption)**

- Outstanding Balance – \$152,000,000
- Funds provided by tax-exempt bonds issued by the Public Finance Authority (Wisconsin)

**October 3, 2017 (Notice) – Masonic and Eastern Star Home (Whitestone), Series 2011A (Redemption)**

- Outstanding Balance – \$21,495,000
- Funds provided by tax-exempt bonds issued by the Public Finance Authority (Wisconsin)

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

**October 18, 2017**– The Executive Committee gave final approval to a Tax-Exempt lease Program for Duke University Health Systems. (**See Exhibit B/1**).

**VIII. Educational Presentations**

A. Bond Dealer Presentation..... Mr. Gary Austin

- PDR Advisors

B. Bond Pricing Presentation.....Mr. Bob Newman

- NC Department of State Treasurer – Debt Management Section

**IX. BOND PROJECTS**

A. **Southeastern Regional Medical Center**.....Geary W. Knapp & Steven C. Lewis

**Resolution:** The Commission grants preliminary approval to a project for Southeastern Regional Medical Center, Inc. to provide funds to refund the (1) \$20,000,000 North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds (Southeastern Regional Medical Center) Series 2005 outstanding in the amount of \$17,000,000 and (2) to fund a number of completed or to be completed projects including renovation of the inpatient surgery department, replacement of three air handlers, re-roofing of several main campus buildings, Woodhaven Short Term Rehab addition and renovation, installation of EPIC system, and various other capital improvement and equipment purchases totaling approximately \$41,460,000, of which \$32,622,000 was financed with a taxable loan and is being refinanced all in accordance with a preliminary application, plans, and specifications as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal Amount of Bonds to be Issued	\$57,940,000
Series 2005 Construction and Cost of Issuance Funds	1,337,470
Interest Earned on Bond Proceeds	<u>59,351</u>
<b>Total</b>	<b>\$59,336,821</b>

**ESTIMATED USES OF FUNDS**

Construction costs	\$5,026,850
Construction contingency (less than 5% of construction contracts)	613,842
Moveable equipment	3,197,915
Amount required to refund Series 2005 Bonds	17,000,000
Amount required to refund Taxable Construction Loan	32,622,000
Bond interest during construction	471,166
Borrower counsel	45,000
Bond counsel	107,866
Bank Counsel	60,000
Trustee fees	12,000
DHSR reimbursable	27,519
Local Government Commission fee	8,750
Agreed Upon Procedures consultant	50,000
Financial advisor	<u>93,913</u>
<b>Total</b>	<b>\$59,336,821</b>

Tentative approval is given with the understanding that the governing board of Southeastern Regional Medical Center 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 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.
9. 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.
10. 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.

Based on information furnished by applicant, the project is:

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

See **Exhibit C** for compliance and selected application information.

**B. Cone Health System**.....Geary W. Knapp & Steven C. Lewis

**Resolution:** The Commission grants preliminary approval for a project for The Moses H. Cone Memorial Hospital to (1) refund the \$47,500,000 North Carolina Medical Care Commission Hospital Revenue Bonds (Moses Cone Health System) Series 2004A outstanding in the amount of \$46,065,000, (2) refund the \$47,980,000 North Carolina Medical Care Commission Hospital Revenue Refunding Bonds (Cone Health) Series 2011B outstanding in the amount of \$45,135,000, (3) construct a new 220,000 sq. ft. facility to unite women’s services at Woman’s Hospital & Children’s Services with Moses H. Cone Hospital, renovate Wesley Long Hospital and replace 14 ORs with 10 larger OR suites and, (4) capital spending throughout all campuses in the amount of \$25,000,000 all in accordance with a preliminary application, plans, and specifications as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	<u>\$276,890,000</u>
<b>Total</b>	<b>\$276,890,000</b>

**ESTIMATED USES OF FUNDS**

Construction contracts	\$113,602,668
Architect fees	7,842,605
Construction contingency (1% of construction contract)	1,136,027
Total movable equipment	1,860,508
Surveys, Tests, Insurance, etc.	1,102,966
Consultants’ fees related to construction	3,555,242
Financial, Legal & Admin related to construction	4,531,372
Escrow amount to refund Series 2004A Series Bonds	46,137,594
Escrow amount to refund Series 2011B Series Bonds	45,207,593
Routine capital spending	25,000,000
Bond interest during construction	4,986,116
Debt Service Reserve Fund	19,777,305
Underwriters’ discount/placement fee	1,038,338
Feasibility fees	40,000
Accountants fees	100,000
Corporation counsel	75,000
Bond counsel	200,000
Rating agencies	300,000
Trustee fees	10,000
Printing costs	10,000
DHSR reimbursable	122,917
Local Government Commission fee	8,750
Financial advisor	120,000
Underwriters counsel	<u>125,000</u>
<b>Total</b>	<b>\$276,890,000</b>

Tentative approval is given with the understanding that the governing board of Moses H. 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 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 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.
9. 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.
10. 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.

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 |

See **Exhibit D** for compliance and selected application information.

**X. OLD BUSINESS**

**A. Rules for Adoption.....Rules and Comments.....Nadine Pfeiffer**

1. Home Care Rules (Nadine Pfeiffer & Greta Hill)  
Readoption of 8 rules following Periodic Review:  
10A NCAC 13J .0901, .1004, .1007, .1107, .1110, .1202, .1402, and 1502  
(See Exhibits E-E/3)
2. Emergency Medical Services and Trauma Rules (Nadine Pfeiffer & Tom Mitchell)  
Adoption of rules for Ground Ambulance Manufacturing Standards and Medical Oversight for  
Air Medical Programs: 10A NCAC 13P .0224 & .0410  
(See Exhibits E/4-E/6)
3. Nursing Home Licensure Rules (Nadine Pfeiffer & Beverly Speroff)  
Amendment to Administrator rule: 10A NCAC 13D .2201  
(See Exhibits E/7-E/9)
4. Hospital Construction Rules (Nadine Pfeiffer & Steve Lewis)  
Replace with American Society of Healthcare Engineering’s Facility Guideline Institute (FGI)  
guidelines pursuant to Session Law 2017-174:  
(See Exhibits E/10-E/16)
  - a) Repeal of 29 rules: 10A NCAC 13B
  - b) Temporary Rules: 10A NCAC 13B .6003, .6105, and .6228

**B. Periodic Review of Existing Rules (HB 74) – Final Category Determination.....Nadine Pfeiffer**

1. 10A NCAC 13F, Licensing of Adult Care Homes of Seven or More Beds  
Comments review, final report approval (Nadine Pfeiffer & Megan Lamphere)  
(See Exhibits F-F/4)

**XI. NEW BUSINESS**

**A. Rules for Initiating Rulemaking Approval (Rules & Fiscal Note).....Nadine Pfeiffer**

1. Emergency Services and Trauma Rules (Nadine Pfeiffer & Tom Mitchell)  
Amendments to update standards and incorporate changes in practice settings:  
10A NCAC 13P .0102, .0201, .0222, .0301, .0505, .0506, .0904, .1502, and .1505  
(See Exhibits G-G-2(a))

**XII. VOTE ON THREE EXECUTIVE COMMITTEE MEMBERS.....Dr. John Fagg**

- In accordance with 10A NCAC 13A.0101 Executive Committee, three members shall be appointed by a vote of the Commission at the November meeting of each **odd** year.

**XIII. APPOINTMENT OF AN EXECUTIVE COMMITTEE MEMBER TO SERVE REMAINING TERM OF VACATED SEAT (WILES).....Dr. John Fagg**

- Term of appointment will end December 31, 2018
- Vacated seat (Wiles) was one of two seats in accordance with 10A NCAC 13A.0101, two members shall be appointed by the Chairman of the Commission at the November meeting of each **even** year.

**XIV. BOND ATTORNEY APPROVAL PROCESS.....Geary W. Knapp**

North Carolina General Statute § 147-17 requires the Governor’s approval for the employment of counsel. The Governor’s approval is contingent on the advisement of the Attorney General. In order to become compliant with § 147-17, a list of bond counsel has been provided to the Attorney General to begin the approval process.

**XV. APPOINTMENT OF ASSISTANT SECRETARY.....Dr. John Fagg**

**Resolution:**

**WHEREAS** Chapter 131A of the General Statutes of North Carolina, the same being the Health Care Finance Act, empowers the North Carolina Medical Care Commission (hereafter called the “Commission”) to finance health care facilities for public and nonprofit agencies within the State of North Carolina; and

**WHEREAS**, prior to and subsequent to the initial approval of a project by the Commission, a substantial amount of work and documentation is required to be completed and executed for and on behalf of the Commission in connection with effectuation of such financings, including the completion of financing documents and the execution and certification of various legal documents and the execution of any bonds issued under said Act; and

**WHEREAS**, the Commission deems it advisable to appoint an Assistant Secretary to complement the Secretary in the performance of such duties and to exercise such other functions as the Commission may hereafter authorize; now, therefore

**BE IT RESOLVED**, by the Commission that effective November 3, 2017 Geary W. Knapp, JD, CPA is hereby appointed Assistant Secretary to the North Carolina Medical Care Commission, to hold such office at the will of the Commission.

**XVI. MEDICAL CARE COMMISSION MEETING DATES FOR 2018.....Dr. John Fagg**

- February 8-9, 2018
- May 10-11, 2018 (Meeting will be held at the Duke Health Pavilion, Durham, NC)
- August 9-10, 2018
- November 1-2, 2018



**XVII. REFUNDING OF COMMISSION BOND ISSUES**.....Geary W. Knapp

**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 February 9, 2018 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 9, 2018.

**XVIII. ADJOURNMENT** – A motion to adjourn is requested.....Dr. John Fagg