

STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

MEDICAL CARE COMMISSION QUARTERLY MEETING
DIVISION OF HEALTH SERVICE REGULATION
701 BARBOUR DRIVE, RALEIGH NC 27603

February 12, 2010

9:00 A.M.

AGENDA

I. MEETING OPENS

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 November 13, 2009 meeting. (**attached as Exhibit A**).

IV. DIVISION DIRECTOR’S REPORT - Mr. Horton will report on matters of interest to the Commission.

Other items to report on are listed below (**see Exhibits B – B/**):

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

2. 2009 Bond Counsel Fees Report (**attached as Exhibit H**).

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

November 19, 2009 – To authorize the sale of bonds, the proceeds of which are to be loaned to FirstHealth of the Carolinas, Inc. and a resolution to consider the preliminary approval for a refunding bond issue for Lutheran Retirement. (**attached as Exhibit B/1**).

December 8, 2009 – To authorize the sale of bonds, the proceeds of which are to be loaned to FirstHealth of the Carolinas, Inc., (2) Series Resolution authorizing the issuance of up to \$27,364,250 North Carolina Medical Care Commission Health Care Facility Revenue Bonds (Lutheran Services for the Aging), Series 2009, (3) Series Resolution authorizing the issuance of \$30,000,000 North Carolina Medical Care Commission Retirement Facilities Revenue Refunding Bonds (Aldersgate), Series 2009, and (4) To authorize the sale of bonds, the proceeds of which are to be loaned to Lutheran Retirement Ministries (Twin Lakes) of Alamance County. (**attached as Exhibit B/2**).

January 14, 2010 – To consider for approval refunding of bond issues for North Carolina Baptist Hospital, Catholic Health East/St. Joseph of the Pines. To consider an amendment of a Trust Agreement for the North Carolina Baptist Hospital Series 1992B Bonds, Series 1996 Bonds, Series 2000 Bonds, and Series 2009 Bonds. To consider a resolution to approve the appointment of Successor Remarketing Agents and First Supplemental Trust Agreements for the Duke University Health System, Series 2005. To consider the sale of bonds, the proceeds of which are to be loaned to Penick Village. (**attached as Exhibit B/3**).

January 22, 2010 - To consider preliminary approvals to a Bank Qualified Bond project for United Methodist Retirement Homes and Carolina Village and to authorize the financing of certain health care equipment for the benefit of University Health Systems of Eastern Carolina, Inc. and Pitt County Memorial Hospital, Incorporated pursuant to a master equipment lease and sublease agreement. - (**attached as Exhibit B/4**).

February 3, 2010 – To authorize the sale of bonds, the proceeds of which are to be loaned to The United Methodist Retirement Homes, Incorporated. (**attached as Exhibit B/5**).

V. Presentation - NC 2008 Payer Mix Analysis**Sandra B. Greene, DrPH, Senior Research Fellow**

Cecil G. Sheps Center for Health Services Research

VI. New Business:

RESOLUTION OF APPRECIATION FOR WILLIAM L. WARREN.....**Lucy Bode**

EMS Rules.....**Exhibit F**
Nadine Pfeiffer

Hospital Rules.....**Exhibit G**
Nadine Pfeiffer

VII. BOND PROJECTS

A. Aldersgate United Methodist Retirement Community Inc., Charlotte, NC- Chris Taylor & Steven Lewis

Resolution: The Commission grants preliminary approval to a project for Aldersgate United Methodist Retirement Community Inc. to install a sprinkler system in the Asbury Care Center skilled nursing facility; to restore the brick veneer of the Epworth residential apartment building; general upgrades to the flooring, furnishings and finishes in the Epworth apartment building and Asbury skilled nursing facility and parking upgrades to the Asbury skilled nursing facility; and the refinancing of the outstanding balance of the 2001 Aldersgate Project Bond Issue 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	\$8,575,000
Total	\$8,575,000

ESTIMATED USES OF FUNDS

Construction contracts		\$4,222,934
Sprinkler Installation	\$2,709,600	
Brick Restoration	1,011,521	
Flooring, Furnishings, Finishes	454,141	
Parking Lot Paving	47,672	
Construction contingency (6% of construction contract)		253,376
Architect/engineer fees and reimbursables		364,400
Consultants' fees related to construction		34,553
Escrow amount to refund bonds		3,520,000
Bank commitment fee		42,875
Bank Counsel		15,000
Bond interest during construction		67,500
Underwriters' discount/placement fee		12,862
Accountants fees		5,000
Legal fees for Corporate counsel		8,000
Bond counsel		25,000
Miscellaneous		<u>3,500</u>
Total		\$8,575,000

Tentative approval is given with the understanding that the governing board of Aldersgate United Methodist 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.

Based on information furnished by applicant, the project is -

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

B. Duke University Health System, Inc., Durham - Christopher B. Taylor and Steven Lewis

Resolution: The Commission grants preliminary approval to a project for Duke University Health System, Inc. in Durham, referred to as Duke Medicine Pavilion (DMP), to include (1) a new 582,000 square-foot tertiary-care addition that will include four 24-bed intensive-care units, two 32-bed intermediate/step-down units, sixteen additional operating rooms, expanded imaging facilities, and patient and family-oriented amenities; (2) a new two-story 9,000 square-foot South Concourse connector corridor between the existing Cancer Center and Duke Clinics and the DMP; (3) a new two-story 46,000 square-foot North Concourse connector corridor between the DMP and existing Duke Hospital North; (4) the renovation of approximately 29,000 square feet of space in the existing Duke Hospital North to accommodate the connection to the new building; (5) and road-improvement and vehicle-parking projects required to complete and operate the new addition; 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	\$120,000,000
Interest earned during construction	247,844
Equity Contribution	<u>463,524,380</u>
Total	\$583,772,224

ESTIMATED USES OF FUNDS

Site utility development and accessibility costs		\$23,305,072
Construction contracts		339,942,486
(1) Duke Medicine Pavilion (DMP)	\$287,792,486	
(2) South Concourse	4,900,000	
(3) North Concourse	25,000,000	
(4) Duke Hospital Renovation	7,250,000	
(5) Road and Parking Improvements	15,000,000	
Construction contingency (5% of construction contract)		16,997,124
Architect/engineer fees and reimbursables		28,977,107

Moveable equipment	143,218,306
Surveys, tests, insurance	5,859,905
Consultants' fees related to construction for commissioning	1,000,000
Bond interest during construction	21,908,224
Underwriters' discount/placement fee	2,160,000
Accountants fees	40,000
Legal fees for Hospital counsel	85,000
Bond counsel	82,500
Rating agencies	127,500
Trustee fees	6,500
Printing costs	4,000
Local Government Commission fee	3,500
Underwriter's counsel	55,000
Total	\$583,772,224

Tentative approval is given with the understanding that the governing board of Duke University Health System, 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. 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

VIII. Appointment of US Bank as Successor Trustee to First Citizens Bank

Resolution:

The North Carolina Medical Commission, at the request of the respective borrowers, does hereby appoint US Bank as successor bond trustee to First –Citizens Bank for the issues listed below:

Resignation, Appointment and Acceptance Agreements

- (1) This Resignation, Appointment and Acceptance Agreement (this “Agreement’), is dated as of November 12, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and Wake Forest University Health Sciences (the “Corporation”).
- (2) This Resignation, Appointment and Acceptance Agreement (this “Agreement’), is dated as of November 13, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and Iredell Memorial Hospital, Inc. (the “Corporation”).
- (3) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of November 13, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), Iredell Memorial Hospital, Incorporated (the “Obligated Group”), and the North Carolina Medical Care Commission (the “Commission”) and the North Carolina Local Government Commission (the “LGC”).
- (4) This Resignation, Appointment and Acceptance Agreement (this “Agreement’), is dated as of November 13, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and J. Arthur Doshier Memorial Hospital (the “Borrower”).
- (5) The Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of January 21, 2010, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), Wake Forest Health Sciences (the “Obligated Group Representative”), the North Carolina Medical Care Commission (the “Commission”) and the North Carolina Local Government Commission (the “LGC”).
- (6) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of December 10, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”), The Presbyterian Homes, Inc. and Glenaire, Inc. (the “Corporations”).
- (7) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of November 12, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and Angel Medical Center (the “Borrower”).
- (8) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of November 30, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and Carolina Village, Inc. (the “Borrower”).

- (9) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of December 15, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and Glenaire, Inc. (the “Corporation”).
- (10) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of December 16, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and The McDowell Hospital, Inc. (the “Corporation”).
- (11) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of November 17, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and North Carolina Baptist Hospital (the “Corporation”).
- (12) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of November 12, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Issuer”) and Person Memorial Hospital (the “Borrower”).
- (13) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of November 30, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and The Presbyterian Home as Charlotte, Inc. (the “Corporation”).
- (14) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of November 17, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and Randolph Hospital, Inc. (the “Corporation”).
- (15) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of November 13, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and Spruce Pine Community Hospital (the “Borrower”).
- (16) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of January 6, 2010, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and Stanley Total Living Center (the “Borrower”).
- (17) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of January 8, 2010, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and Transylvania Community Hospital, Inc. (the “Corporation”).
- (18) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of November 16, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and University Health Systems of Eastern Carolina, Inc. (the “Parent Corporation”).
- (19) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of January 6, 2010, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), University Health Systems of Eastern Carolina, Inc. (the “Corporation”), the North Carolina Medical Care Commission (the “Commission”) and the North Carolina Local Government Commission (the “LGC”).

- (20) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of November 25, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”) and Pitt County Memorial Hospital, Inc. (the “Corporation”).
- (21) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of December 21, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”), and The Episcopal Home for the Ageing in the Diocese of North Carolina, Inc. (the “Corporation”).
- (22) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of December 21, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), The Episcopal Home for the Ageing in the Diocese of North Carolina, Inc. (the “Obligated Group Representative”), the North Carolina Medical Care Commission (the “Commission”) and the North Carolina Local Government Commission (the “LGC”).
- (23) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of December 3, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), Carolina Village, Inc. Members of the Obligated Group (The “Obligated Group”), the North Carolina Medical Care Commission (the “Commission”) and the North Carolina Local Government Commission (the “LGC”).
- (24) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of November 17, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), Randolph Hospital, Inc. (the “Obligated Group Representative”) the North Carolina Medical Care Commission (the “Commission”) and the North Carolina Local Government Commission (the “LGC”).
- (25) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of January 8, 2010, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission (the “Commission”), Rex Hospital, Inc. (the “Corporation”), Rex Healthcare, Inc. (the “Parent”) and Ambac Assurance Corporation (“Ambac”).
- (26) This Resignation, Appointment and Acceptance Agreement (this “Agreement”), is dated as of November 16, 2009, by and among First-Citizens Bank & Trust Company (“First-Citizens”), U.S. Bank National Association (“U.S. Bank”), the North Carolina Medical Care Commission, (the “Commission”), GNMA Collateralized-Providence Place Retirement Community Nursing Home Project, (the “Corporation”).

IX. 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 May 21, 2010

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 May 21, 2010.

X. MEMBER REPORT

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

XII. ADJOURNMENT - A motion to adjourn is requested.