

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.

MINUTES

I. MEDICAL CARE COMMISSION QUARTERLY MEETING, FEBRUARY 12, 2010 – 9:00 a.m.

MEMBERS PRESENT	MEMBERS ABSENT
Lucy H. Bode, Chairperson George A. Binder, M.D. Joseph D. Crocker, Vice-Chairperson George H. V. Cecil Gerald P. Cox Charles T. Frock John A. Fagg, M.D. Clifford B. Jones, Jr. DDS Elizabeth Kanof, M.D. James H. Leonard Albert F. Lockamy, Jr. RPh Mary L. Piepenbring Carl K. Rust, II, M.D. Robert E. Schaaf, M.D. Henry A. Unger, M.D. Margaret Weller-Stargell <u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u> Jeff Horton, Acting, Secretary, MCC; Acting Director, DHSR Christopher B. Taylor, CPA, Assistant Secretary, MCC Steven Lewis, Acting Chief, Construction Section, DHSR Diana Barbry, Administrative Assistant, MCC/DHSR Nadine Pfeiffer, Assistant Section Chief, OEMS/DHSR Gloria Hale, Rules Coordinator, OEMS/DHSR	Martha Barham, RN

II. CHAIRPERSON'S COMMENTS

Ms. Bode welcomed everybody to the meeting and asked the audience to introduce themselves, she then questioned the members to see if anyone had a conflict of interest with anything coming before the Commission at the meeting, Dr. Schaaf requested recusal from votes on Duke Hospital, Mr. Cecil requested recusal from votes on US Bank and Dr. Rust requested recusal from votes on Bank of America. Ms. Bode requested that we clarify with the State Ethics Commission if a member needs to abstain from a vote if they own stock in a bank in which we are doing bond financing.

III. APPROVAL OF MINUTES from the November 13, 2009 meeting was requested (**Exhibit A**).

Commission Action: Motion made by Mr. Cecil, seconded by Mr. Cox and unanimously approved

IV. DIVISION DIRECTOR'S REPORT

Mr. Horton reported on matters of interest to the Commission, he gave a brief overview of the budget issues that DHSR is currently facing, which is currently being managed by additional 3%, 5% and 7% reductions of the state appropriations that are received by the Division, he gave an updated on the impending move from the Council Building and announced that we are currently in the 2nd year of the Adult Care Home Star Rating System and that there will be a few 4 star ratings issued to facilities this year. He also announced that Bill Warren, Chief of the Construction section retired on February 1, 2010 after 27 years of service.

Other items to report on are listed below (see Exhibits B – B/6):

1. Quarterly Report on Bond Program (attached as Exhibit B).
2. 2009 Bond Counsel Fees Report (attached as Exhibit H).
3. Report on Underwriter Fees (attached as Exhibit I)
4. 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).

February 11, 2010 – To consider a resolution authorizing the issuance and sale of bonds, the proceeds of which will be loaned to Mission Health System, Inc. (attached as Exhibit B/6).

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..... **Exhibit J**
Lucy Bode

Commission Action: Motion made by Mr. Lockamy, seconded by Dr. Jones and unanimously approved

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

Commission Action: Motion made by Dr. Unger, seconded by Dr. Jones and unanimously approved

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

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

VII. BOND PROJECTS

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

Statements were given by Gary Korpinski, Aldersgate UMC and John Franklin, BB&T

Commission Action: Motion made by Mr. Crocker, seconded by Mr. Cox and unanimously approved

Resolved: 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	<u>\$8,575,000</u>
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

Statements were given by Robert Willis, Sheryl Thompson and Shawn Subasic, of Duke University Health System.

Commission Action: Motion made by Dr. Binder , seconded by Mr. Cox and approved with the recusal of Dr. Schaaf.

Resolved: 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
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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		<u>55,000</u>
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 to First-Citizens Bank As Trustee, Master Trustee and Escrow Agent. - Chris Taylor

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

Resolved: The North Carolina Medical Care Commission, at the request of the respective borrowers, does hereby appoint US Bank to serve as successor master trustee, bond trustee and or escrow agent as set forth on the list below.

SHORT TITLE	LONG TITLE	CAPCAPITY
PRESBYTERIAN HOMES, SER 05A 05B	North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (The Presbyterian Homes Obligated Group) Series 2005A and Series 2005B	Trustee
ANGEL MEDICAL CENTER 2007	North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Angel Medical Center Project) Series 2007	Trustee
CAROLINA VILLAGE 1998, 2008A, B & C	North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Carolina Village Inc. Project) Series 1998	Trustee
GLENAIRE 1997	North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (Glenaire Project) Series 1997	Trustee
MCDOWELL HOSPITAL SERIES 1999	North Carolina Medical Care Commission Variable Rate Demand Hospital Refunding Revenue Bonds (The McDowell Hospital, Inc.) Series 1999	Trustee

NC BAPTIST HOSPITAL 2009A,B, C, 1992B, 1996 and 2000	North Carolina Medical Care Commission Hospital Revenue Bonds (North Carolina Baptist Hospitals Project) Series 1992B, 1996 and 2000, and Hospital Revenue Refunding Bonds (North Carolina Baptist Hospital) Series 2009A, 2009B and 2009C	Trustee
PERSON MEMORIAL HOSPITAL 2005	North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Person Memorial Hospital) Series 2005	Trustee
PRESBYTERIAN HOMES AT CHARLOTTE SER 2001	North Carolina Medical Care Commission Variable Rate Demand Health Care Facilities Revenue Bonds (The Presbyterian Home at Charlotte, Inc. Project), Series 2001	Trustee
RANDOLPH HOSPITAL 2007	North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007	Trustee
SPRUCE PINE HOSPITAL 1997	North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Spruce Pine Community Hospital Project) Series 1997	Trustee
STANLEY TOTAL LIVING 1998	North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Stanley Total Living Project) Series 1998	Trustee
TRANSYLVANIA COMMUNITY HOSPITAL 1997 & 2009	North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds (Transylvania Regional Hospital)	Trustee
UNIVERSITY HEALTH SYSTEMS OF EASTERN CAROLINA Series 2008 A-1 and A-2, Series B-1 and B-2, Series C, Series D, and Series E-1 and E-2	North Carolina Medical Care Commission Health Care Facilities Revenue Refunding Bonds (University Health Systems of Eastern Carolina) Series 2008 A-1 and A-2, Series B-1 and B-2, Series C, Series D, and Series E-1 and E-2	Trustee
PITT MEMORIAL HOSPITAL SER 1998A & 1998B	North Carolina Medical Care Hospital Revenue Bonds (Pitt County Memorial Hospital), Series 1998A & 1998B	Trustee
PENICK VILLAGE 2004A AND 2004B	North Carolina Medical Care Commission Healthcare Facilities First Mortgage Revenue Refunding Bonds (Penick Village), Series 2004A and Series 2004B	Trustee
PROVIDENCE PLACE 2001A&B	North Carolina Medical Care Corporation Health Care Facility Revenue Bonds (GNMA Collateralized-Providence Place Retirement Community Nursing Home Project) Series 2001A & 2001B	Trustee

CYPRESS GLEN 2004	Master Trust Cypress Glen For NC Medical Care Commission Retirement Facilities 1 st Mortgage Revenue Bonds (Cypress Glen Retirement Community), Series 2004 A B C & D	Master Trustee
CAROLINA VILLAGE	Master Trustee under Master Trust Indenture dated as of February 1, 2008, as supplemented (the "Master Indenture") for Obligation Nos. 1-8 (Carolina Village, Inc.)	Master Trustee
RANDOLPH HOSPITAL	Randolph Hospital, Inc., Obligation No.1, Obligation No.2 and Obligation No.3	Mater Trustee
PENICK VILLAGE – EPISCOPAL HOME FOR THE AGING PITT COUNTY MEMORIAL HOSPITAL 1998A and 1998B	The Episcopal Home for the Ageing in the Diocese of North Carolina, Inc. Obligation No. 1 Master for Pitt County Memorial Hospital, Incorporated Master Obligations, Series 1998A and 1998B	Obligation Master Trust
IREDELL MEMORIAL HOSPITAL	Master Trust for the North Carolina Medical Care Commission Hospital Revenue Bonds (Iredell Memorial Hospital, Inc. Project), Series 2007	Master Trustee
REX HEALTHCARE SER. 1998	Rex Hospital, Inc. and Rex Healthcare, Inc. Obligation No. 2	Obligation
DEPAUL COMMUNITY	North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (DePaul Community Facilities Project), Series 1999	Escrow Agent
ANNIE PENN MEMORIAL HOSPITAL	North Carolina Medical Care Commission Hospital Revenue Refunding Bonds, Series 1998 (Annie Penn Memorial Hospital),	Escrow Agent
PITT COUNTY MEMORIAL HOSPITAL	North Carolina Medical Care Commission Revenue Bonds Series 1995 (Pitt County Memorial Hospital)	Escrow Agent

The officers of the Commission are hereby authorized and directed to execute such documents as necessary to effect the transactions. The resolution is effective as of the date of adoption.

VIII. Refunding of Commission Bond Issues

Commission Action: Motion made by Mr. Cecil, seconded by Mr. Crocker and unanimously approved

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 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.

- IX. MEMBER REPORT** – No reports from members was submitted
- X. QUESTIONS FROM THE PUBLIC** - The Chairperson will receive questions from the public
- XI. ADJOURNMENT** - A motion to adjourn is requested.

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

THE MEETING ADJOURNED AROUND 11:55 A.M.

**Jeff Horton
Acting Secretary**

Jeff Horton 2/18/10

Date