

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

May 13, 2011

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 February 11, 2011 conference call meeting. (**Exhibit A**).

IV. DIVISION DIRECTOR'S REPORT - Mr. Pratt will report matters of interest to the Commission.

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

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

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

February 4, 2011 - To consider a resolution authorizing the issuance and sale of bonds, the proceeds of which will be loaned to Watauga Medical Center, Inc. and Appalachian Regional Healthcare System, Inc. (**Exhibit B/1**)

February 9, 2011 - To consider a Series Resolution authorizing the issuance of \$60,170,000 North Carolina Medical Care Commission Hospital Revenue Refunding Bonds (Moses Cone Health System), Series 2011A (**Exhibit B/2**)

March 3, 2011 - To consider a preliminary refunding/conversion of the 2008A, 2008B, and 2008C Novant Health Variable Rate Bonds. (**Exhibit B/3**)

March 16, 2011 - To approve the conversion of the Commission's Variable Rate Demand Health Care Facilities Revenue Refunding Bonds (Novant Health Obligated Group) Series 2008, consisting of Series 2008A, Series 2008B and Series 2008C to "Index Interest Rates." (**Exhibit B/4**)

April 7, 2011 - To authorize the sale of bonds, the proceeds of which are to be loaned to Lower Cape Fear Hospice, Incorporated. (**Exhibit B/5**)

April 14, 2011 - (1) To authorize the sale of bonds, the proceeds of which are to be loaned to Masonic and Eastern Star Home of North Carolina, Incorporated. (2) To authorize a resolution relating to the amendment of the Trust Agreement securing the outstanding North Carolina Medical Commission Health Care Facilities First Mortgage Revenue Bonds (Carol Woods Project), Series 2010 with a Carol Woods Supplemental Trust Agreement amending the initial term BB&T Commitment Letter, (3) To consider a Hospital Rule Change: 10A NCAC 13B.4108 and Observation Beds Status for WakeMed. **(Exhibit B/6)**

V. Presentations

**A. Scaling Innovations.....Ron Paulus, MD/MBA
CEO of Mission Hospital**

VI. Old Business:

**EMS Rules.....Exhibit D
Erin Glendenning**

VII. New Business:

**Hospital Rules.....Exhibit E
Erin Glendenning**

**Nursing Home Rules.....Exhibit F
Erin Glendenning**

**Adult Care Home Rules.....Exhibit G
Erin Glendenning**

VIII. Bond Projects

A. University Health Systems of Eastern Carolina, Inc, Greenville NC

**1. Pediatric Obesity.....Dave McRae, CEO
University Health Systems of Eastern Carolina, Inc**

2. Proposed Bond Project - Christopher Taylor & Steven Lewis (Exhibit C & H)

Resolution: The Commission grants preliminary approval to a project for University Health Systems of Eastern Carolina to fund the prepayment of or the reimbursement of the expenditure for a thirty-year capital lease of Beaufort Health System in Washington North Carolina. Project funds in the amount of \$25,000,000 will be expended for land acquisition for future expansion (\$1,330,130), capital equipment (\$9,967,453) and project expenditures (\$3,109,161) and information technology (\$10,593,256). The Bonds will be issued as tax-exempt nonbank qualified bonds to be purchased by (Bank of America, N.A). The Project is in accordance with a preliminary application and participation as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$50,000,000
Cash and negotiable securities from reserves	371,000
Total	\$50,371,000

ESTIMATED USES OF FUNDS

Land acquisition, to provide for consolidation of corporate office functions	\$1,330,130
Construction contracts	3,109,161

Moveable equipment	9,967,453
Information technology	10,593,256
Pre-pay capital lease for Beaufort Regional Health System	25,000,000
Legal fees for Corporation counsel	40,000
Bond counsel fee	65,000
Local Government Commission fee	8,500
Bank origination fee	100,000
Bank counsel fee	50,000
Financial advisor	80,000
Accountants fees	<u>27,500</u>
Total	\$50,371,000

Tentative approval is given with the understanding that the governing board of University Health Systems of Eastern Carolina, 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 or conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance or 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 or conversion of bonds on 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 or 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. 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 |

B. Halifax Regional Medical Center, Roanoke Rapids, - Christopher Taylor & Steven Lewis (Exhibit C & H)

Resolution: The Commission grants preliminary approval to a project for Halifax Regional Medical Center to add and renovate the facility for staff and patient flow, quality, efficiency and patient satisfaction. The project consist of 2,805 square feet of new construction, adding five ambulatory care unit beds, expanding the PACU from six to eight bays including an isolation bay. Renovations of 6,774 square feet to expand the preparation and recovery from ten to sixteen beds, additional set of surgical doors to decrease public flow of traffic, relocation of staff locker rooms and showers, a family waiting areas, patient tracking board and a physicians consultation room for a HIPPA compliant environment. Additionally, renovations of outpatient parking lot from ninety-two to one hundred thirty-eight spaces and improving outpatient and emergency entrances. Renovating and refinishing the outpatient services entrance, hallway and registration providing private areas to perform outpatient registration and a better atmosphere for outpatient surgery patients. The Bonds will be issued as tax-exempt nonbank qualified bonds and will be purchased by (Branch Banking and Trust Company). The Bonds will bear a fixed interest rate of 4.90% for the initial put period of seven years. 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>\$6,500,000</u>
Total	\$6,500,000

ESTIMATED USES OF FUNDS

Site utility development and accessibility costs	880,465
Construction contracts	4,238,759
Construction contingency (5% of construction contract)	211,938
Architect/engineer fees	440,375
(A) Reimbursable	199,625
Moveable equipment	103,331
Surveys, tests, insurance	210,000
Legal fees for Hospital counsel	25,000
Bond counsel	48,000
Trustee fees	6,000
Bank counsel	35,000
Local Government Commission fee	8,500
Plan Review/Permitting	30,000
Bank Fees/ Inspection	47,500
Miscellaneous	<u>15,507</u>
Total	\$6,500,000

Tentative approval is given with the understanding that the governing board of Halifax 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 or conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance or 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 or conversion of bonds on 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 or 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. 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 |

IX. Refunding of Commission Bond Issues

Recommended:.....**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 August 12, 2011

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 August 12, 2011.

X. MEMBER REPORT

XI. MCC CLOSED SESSION – (Confer with Counsel to MCC on pending legal matters).

XII. ADJOURNMENT - A motion to adjourn is requested.