

**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 12, 2011

1:00 P.M.

I. MEDICAL CARE COMMISSION PLANNING MEETING, May 12, 2011 – 1:00 p.m.

MEMBERS PRESENT	MEMBERS ABSENT
Lucy H. Bode, Chairperson Joseph D. Crocker, Vice-Chairperson George A. Binder, M.D. George H.V. Cecil Charles T. Frock Elizabeth Kanof, M.D. Eileen Kugler, RN, MSN, MPH, FNP Albert F. Lockamy, Jr. RPh James H. Leonard Mary L. Piepenbring Robert E. Schaaf, M.D. Henry A. Unger, M.D.	Clifford B. Jones, Jr. DDS Margaret Weller-Stargell John Fagg, M.D. Carl K. Rust, M.D. Gerald P. Cox
<p><u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u></p> Drexdal Pratt, Director, DHSR/Secretary, MCC Christopher B. Taylor, CPA, Assistant Secretary, MCC Steven Lewis, Chief, Construction Section, DHSR Diana Barbry, Administrative Assistant, MCC/DHSR Erin Glendening, Rules Coordinator, DHSR	

COMMISSION ACTION

The Medical Care Commission held its planning meeting on Thursday, May 12, 2011 to review the Adult Care Licensure Section Rule Change Request as per the Governor’s Executive Order No. 70: Review of Existing Rules. Mrs. Bode welcomed everybody to the meeting and asked the audience to introduce themselves.

The agenda was referred without action to the Medical Care Commission meeting on May 13, 2011.

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801 BIGGS DRIVE, RALEIGH NC 27603**

BROWN BUILDING CONFERENCE ROOM- 104

May 13, 2011

9:00 A.M.

I. MEDICAL CARE COMMISSION QUARTERLY MEETING, May 13, 2011 – 9:00 a.m.

MEMBERS PRESENT	MEMBERS ABSENT
Lucy H. Bode, Chairperson Joseph D. Crocker, Vice-Chairperson George A. Binder, M.D. Gerald P. Cox George H.V. Cecil Charles T. Frock Eileen Kugler, RN, MSN, MPH, FNP Albert F. Lockamy, Jr. RPh Mary L. Piepenbring Carl K. Rust, M.D. Margaret Weller-Stargell John Fagg, M.D. Henry A. Unger, M.D. James H. Leonard Robert E. Schaaf, M.D.	Clifford B. Jones, Jr. DDS Margaret Weller-Stargell John Fagg, M.D. Carl K. Rust, M.D. Gerald P. Cox Elizabeth Kanof, M.D.
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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. Ms. Bode reminded the members that in accordance with Advisory Opinion dated November 19, 2010 any Commission member with \$10,000 or more invested in a particular bank would need to abstain from voting on a project, in which the bank was involved. It was decided that the recusals would be done at the time each project was presented for a vote.

III. APPROVAL OF MINUTES from the February 11, 2011 conference call meeting. **(attached as Exhibit A).**

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

IV. DIVISION DIRECTOR'S REPORT

Mr. Pratt reported on matters of interest to the Commission. He welcomed the Medical Care Commission Members to the Brown Building and reminded them that the remainder of the staff in the Council Building would be moving to the Edgerton Building in May and the move should be completed by June 15th and that all future Medical Care Commission meetings would be held in the Brown Building.

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**

Commission Action: Motion was made by Ms, Kugler, seconded by Dr. Schaaf and unanimously approved.

VII. New Business:

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

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

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

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

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)

Statements were given by Jack Holston and Joel Butler.

Commission Action: Motion was made by Mr. Crocker, seconded by Dr. Schaaf and approved with the recusal of Lucy Bode.

Resolved: 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 - Christopher Taylor & Steven Lewis (Exhibit C & H)

Statements were given by Will Maloney, Sherry Jensen, Michael Adcock and Cindy Robinson.

Commission Action: Motion was made by Mr. Cecil seconded by Dr. Binder and unanimously approved.

Resolved: 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	\$6,500,000
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	15,507
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 | ✓ | Yes | _____ | No | _____ | N/A |
| 2. Construction and related costs are reasonable | ✓ | Yes | _____ | No | _____ | N/A |

IX. Refunding of Commission Bond Issues

Resolved:.....**Chris Taylor**

Commission Action: Motion was made by Mr. Crocker seconded by Mr. Lockamy and unanimously approved.

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 – (To discuss the Samaritan Housing Foundation issue with counsel and the Medical Care Commission).

Commission Action: A motion was made by Ms. Kugler seconded by Mr. Crocker and unanimously approved. to enter into a closed session to discuss the pending case of Samaritan Housing Foundation, Inc. v. Medical Care Commission with counsel to the Medical Care Commission (Marc Lodge, Special Deputy Attorney General). Mr. Pratt and all audience members left the room until the meeting was reopened to the public.

Commission Action: A motion was made by Ms. Pipenbring and seconded by Mr. Crocker and unanimously approved that Lucy Bode, Chairperson is authorized to act on behalf of the Medical Care Commission in connection with any legal proceedings related to the Samaritan Housing Foundation case.

Commission Action: A motion was made by Ms. Kugler and seconded by Mr. Cecil and unanimously approved to return to open session and invite the audience members back into the conference room.

XII. ADJOURNMENT - A motion to adjourn is requested.

Commission Action: Motion was made by Mr. Binder, seconded by Dr. Unger and unanimously approved.

THE MEETING ADJOURNED AROUND 11:45 A.M.


Drexal Pratt
Secretary

6 / 13 / 11
Date