

**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**

**August 11, 2011**

**4:00 P.M.**

**I. MEDICAL CARE COMMISSION PLANNING MEETING.**

<b>MEMBERS PRESENT</b>	<b>MEMBERS ABSENT</b>
Lucy H. Bode, Chairperson Joseph D. Crocker, Vice-Chairperson 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. Carl K. Rust, M.D. Gerald P. Cox	George A. Binder, M.D. John Fagg, M.D. Margaret Weller-Stargell
<b><u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u></b>	
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 Mandy Poole, Rules Coordinator, DHSR	

**COMMISSION ACTION**

The Medical Care Commission held its planning meeting on Thursday, August 11, 2011 to review the Acute 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 August 12, 2011.

STATE OF NORTH CAROLINA  
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801 BIGGS DRIVE, RALEIGH NC 27603**

**BROWN BUILDING CONFERENCE ROOM- 104**

**August 12, 2011**

**9:00 A.M.**

**I. MEDICAL CARE COMMISSION QUARTERLY MEETING**

<b>MEMBERS PRESENT</b>	<b>MEMBERS ABSENT</b>
Lucy H. Bode, Chairperson Joseph D. Crocker, Vice-Chairperson 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. Margaret Weller-Stargell (Via Conference Call) Carl K. Rust, M.D. Gerald P. Cox	George A. Binder, M.D. John Fagg, 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 May 13, 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 gave a brief overview of the additional budget request from the Division of Health Service Regulation and he thanked the Medical Care Commission Members for their support during his illness in July.

Other items to report on are listed below (see **Exhibits B – B/4**):

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

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

**May 5, 2011** – To consider preliminary approval to a project for Iredell Memorial Hospital to provide funds, to be used together with other available funds, to effect a refunding/conversion of the \$39,465,000 North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds, Series 2007, (2) To consider the sale of bonds which the proceeds will be loaned to Cleveland Healthcare System and (3) To consider a resolution for the execution and delivery of a direction to redeem the \$24,770,000 North Carolina Medical Care Commission FHA Insured Mortgage Revenue Bonds (Betsy Johnson Regional Hospital) Series 2003 Bonds and a Notice of Optional Redemption for Betsy Johnson Regional Hospital Bonds. (**Exhibit B/1**)

**June 16, 2011** - To approve the conversion of the Commission’s Variable Rate Demand Hospital Revenue Bonds (Iredell Memorial Hospital) Series 2007 to an “Index Interest Rate” and to consider a resolution authorizing the issuance and sale of bonds, the proceeds of which will be loaned to University Health Systems of Eastern Carolina, Inc. and Pitt County Memorial Hospital, Incorporated. (**Exhibit B/2**)

**July 14, 2011** - To consider for approval a project for Mission Health System, Inc. to provide funds to be used together, with other available funds, to refund the outstanding balance of the \$114,650,000 North Carolina Medical Care Commission Hospital Revenue Bonds, Series 1998, (2) To consider a resolution granting preliminary approval to a project for Angel Medical Center, Inc. to provide funds, to be used together with other available funds, to effect a conversion/refunding of the \$18,500,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Angel Medical Center Project) Series 2007 outstanding in the amount of \$14,485,000, (3) To consider approval to a project for Transylvania Community Hospital, Inc. to provide funds, to be used together with other available funds, to refund the outstanding balances of \$4,855,000 North Carolina Medical Care Commission Hospital Revenue Bonds (Transylvania Community Hospital, Inc.) North Carolina Medical Care Commission Hospital Revenue Bonds Series 1997 outstanding in the amount of \$2,665,000 and the \$13,240,000 North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds, Series 2009 outstanding in the amount of \$12,400,000 and (4) To consider a resolution approving a remarketing agreement with Wells Fargo Bank for Union Regional Hospital and (5) Approve resolutions for Moses Cone and (6) approve a resolution for Halifax Regional Medical Center. (**Exhibit B/3**)

**July 28, 2011** - To consider preliminary approval for the conversion of Duke University Health System Series 2006 Bonds to a Non-Bank Qualified Bonds bought mode and to approve an amendment to the 2006 Trust Agreement to permit purchase in lieu of redemption. (**Exhibit B/4**)

**V. Approval of Sale of Non-Bank Qualified Bonds for Mission Health, Angel Medical Center and Transylvania**

Community Hospital.....**Robert Hudson, Wells Fargo and Chris Taylor**

**Commission Action:** Motion was made by Mr. Crocker, seconded by Mr. Cox and approved with the recusal of Mr. Cecil from the Mission Health, Angel Medical Center and Transylvania Community Hospital Bonds. (**attached as Exhibits G, H & I**)

**Presentations**

- 1. Wake County EMS.....**Dr. Brent Myers, Director of Wake Co. EMS**  
**Joseph Zalkin, Chief of Office of Professional Development & Preparedness**
- 2. Municipal Bond Market Inefficiency and its Effect on Healthcare Financing Costs.....**Kyle Hickok**  
**Rich Ryffel of Edward Jones Investment Banking**

**VI. Bond Projects**

**A. Duke University Health System, Inc., Durham - Christopher B. Taylor .....Exhibit D**

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

**Resolved:** The Commission grants preliminary approval to a project for Duke University Health System, Inc. (DUHS) for the establishment of a new tax-exempt operating leasing/financing program with a capacity of \$40 million for Duke University Health System. The program will have a beginning date of July 1, 2011 and continue through June 30, 2014. The Program is structured as a master lease agreement whereby a single set of documents establishes the terms and conditions. Individual schedules are executed under the master agreement addressing the terms applicable to the individual items to be leased/financed such as amortization schedules and the term of the lease. The leases/financings will be utilized for moveable equipment (including installation costs). The project is in accordance with an application, received as follows.

**ESTIMATED SOURCES OF FUNDS**

Tax Exempt Leases	\$40,000,000
Equity Contribution	<u>70,000</u>
<b>Total</b>	<b>\$40,070,000</b>

**ESTIMATED USES OF FUNDS**

Moveable equipment	\$40,000,000
Corporation counsel	25,000
Bond counsel	15,000
Lessor counsel	10,000
Miscellaneous	<u>20,000</u>
<b>Total</b>	<b>\$40,070,000</b>

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 draw on the leases.
- 3. Financial feasibility must be determined prior to the execution of the leases.
- 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 leases for this project and may approve the issuance of such greater amount of leases 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 leases shall be put in place 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 leases, 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. Cornelia Nixon Davis, Inc. Wilmington - Christopher Taylor & Steven Lewis - Exhibit D**

Statements were given by Charles Long , CEO of Cornelia Nixon Davis, Inc.

**Commission Action:** Motion was made by Dr. Rust, seconded by Ms. Weller-Stargell and approved with the recusal of Mr. Cecil.

**Resolved:** The Commission grants preliminary approval to a project for Cornelia Nixon Davis, Inc. that transforms the facility into ten (10) Person Centered Care Units that will provide separate independent households with decentralized services and de-institutionalized aesthetics. This shall consist of renovating the entire existing 1-story Health Care Center and expanding it to include two new stand-alone buildings constructed to provide 24 private rooms all self-contained at the front of the complex. Enhanced gardens and new covered walks will be added. The project shall also include site work for a Health Care Center loop road and utilities accommodations for the expansion. In addition, proceeds of the issue will be used to refund the outstanding balances of (1) the \$7,500,000 North Carolina Medical Care Commission Adjustable Rate Demand Health Care Facilities Revenue Bonds (Cornelia Nixon Davis Nursing Home, Inc. Project) Series 1998, (2) the \$7,000,000 North Carolina Medical Care Commission Variable Rate Demand Health Care Facilities Revenue Bonds (Cornelia Nixon Davis Nursing Home, Inc.) Series 2003 and (3) the \$5,705,000 North Carolina Medical Care Commission Adjustable Rate Demand Health Care Facility Revenue Bonds (Cornelia Nixon Davis, Inc. Project) Series 2009. The Issue will be structured as a non-bank qualified bond and the bonds will be purchased by Wells Fargo. 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	\$25,295,000
Cash and negotiable securities from reserves	<u>11,868,544</u>
<b>Total</b>	<b>\$37,163,544</b>

## ESTIMATED USES OF FUNDS

Amount to refund Series 1998, Series 2003 and Series 2009 Bonds	\$15,295,000
Site costs	
Site utility development and accessibility costs	500,000
Construction contracts	16,400,000
Construction contingency	164,000
Architect/engineer fees and reimbursables	722,000
Moveable equipment	2,000,000
Surveys, tests, insurance	123,000
Project Management and Change Consultant	550,000
Equipment Consultant	10,000
Food Service Design Consultant	20,000
Bond interest during construction	1,062,000
Bank fee	145,000
Accountants fees	15,000
Legal fees for corporation counsel	20,000
Bond counsel	40,000
Trustee fees	1,500
Printing costs	7,500
DHSR project review fee	26,044
Local Government Commission fee	8,750
Bank counsel fee	30,000
Miscellaneous	<u>23,750</u>
<b>Total</b>	<b>\$37,163,544</b>

Tentative approval is given with the understanding that the governing board of Cornelia Nixon Davis, 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                          | ✓ | Yes | _____ | No | _____ | N/A |
| 2. Construction and related costs are reasonable | ✓ | Yes | _____ | No | _____ | N/A |

**C. Resolution of the North Carolina Medical Care Commission Approving Termination of Reserve Fund Forward Delivery Agreement for the North Carolina Medical Care Commission Hospital Revenue Bonds (Pooled Equipment Financing Project) Series 1985.....Exhibit F**

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

WHEREAS, on December 30, 1985, the North Carolina Medical Care Commission (the “Commission”), a commission of the Department of Health and Human Services of the State of North Carolina, issued \$100,000,000 aggregate principal amount of its Hospital Revenue Bonds (Pooled Equipment Financing Project) Series 1985 (the “Bonds”), \$23,100,000 principal amount of which are outstanding, pursuant to the terms of a Trust Agreement, dated as of December 1, 1985 (as amended prior to October 1, 2008, and as amended and restated as of October 1, 2008, the “Trust Agreement”), between the Commission and Wachovia Bank and Trust Company, N.A., succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”); and

WHEREAS, the Commission has used the proceeds of the Bonds to make Loans (as defined the Trust Agreement) to qualifying Borrowers (as defined in the Trust Agreement) to finance, refinance or reimburse the costs of Projects (as defined in the Trust Agreement); and

WHEREAS, the Commission also used \$15,000,000 of the proceeds of the Bonds to fund a debt service reserve fund (the “Reserve Fund”); and

WHEREAS, since 2004 the Reserve Fund has been invested in a Reserve Fund Forward Delivery Agreement, dated as of April 1, 2004 among the Trustee, the Commission and Merrill Lynch Capital Services, Inc. (“MLCS”), as amended by a First Amendment dated as of October 1, 2008 (as amended, the “Investment Agreement”); and

WHEREAS, all of the Borrowers have paid or prepaid their Loans and the outstanding principal amount of the Bonds will be redeemed on September 30, 2011; and

WHEREAS, pursuant to Section 3.3(b) of the Investment Agreement, after all Borrowers have paid or prepaid their Loans, the Investment Agreement may be terminated upon three Business Days’ prior written notice by the Commission to MLCS and the Trustee and, in connection with such a termination, no Termination Amount (as defined in the Investment Agreement), Loss Amount (as defined in the Investment Agreement) or any other amount shall be payable by any party; and

WHEREAS, to provide funds for the redemption of the outstanding principal amount of the Bonds on September 30, 2011, the Investment Agreement should be terminated on or before September 30, 2011;

NOW, THEREFORE, THE NORTH CAROLINA MEDICAL CARE COMMISSION DOES HEREBY RESOLVE, as follows:

Section 1. The Chairman, Vice Chairman, the Secretary and the Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) are each hereby authorized and directed to take all action necessary to cause the Investment Agreement to terminate on or before September 30, 2011.

Section 2. This Resolution shall take effect immediately upon its passage.

**VII. Refunding of Commission Bond Issues**

Statements were given by Chris Taylor.

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

**Resolved:**.....**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 November 18, 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 November 18, 2011.

**VIII. MEMBER REPORT**

**IX. ADJOURNMENT** - A motion to adjourn is requested.

**THE MEETING ADJOURNED AROUND 12:40 P.M.**

**Drexdal Pratt  
Secretary**

*Drexdal Pratt 8/18/11*

\_\_\_\_\_  
**Date**