

**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**

November 16, 2012

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 August 10, 2012 meeting. (**Exhibit A**)

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

V. Appointment of Two Members to the Executive Committee.....Lucy Bode

In accordance with 10 NCAC 13A.0101 at the last meeting in an even year the Chairman appoints Two Executive Committee Members to serve on the Executive Committee starting January 1st of the next year for a 2 Year term.

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:

September 20, 2012 – To consider a series resolution authorizing the issuance of up to \$27,665,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (Cornelia Nixon Davis, Inc. Project), Series 2012 and to consider a resolution that grants preliminary approval to a project for Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System. (**attached as Exhibit B/1**)

September 28, 2012 - To authorize the sale of bonds, the proceeds of which are to be loaned to FirstHealth of the Carolinas, Inc. and to consider a resolution authorizing an amendment to the Entrance Fee Escrow Agreement and an amendment to a Trust Agreement for Penick Village. To consider a resolution approving an amendment to a Loan Agreement for Transylvania Community Hospital, Inc. To discuss a Material Event Notice related to the Failure of the Trustee to make a Sinking Fund Redemption payment on the 2002 Southeastern Regional Hospital Bonds. (**attached as Exhibit B/2**)

October 12, 2012 - To consider for approval the sale of bonds for Southeastern Regional Medical Center. (attached as Exhibit B/3)

October 26, 2012 - To consider a series resolution authorizing the issuance of \$118,405,000 for Wake Forest Baptist Obligated Group, Series 2012A, (2) to consider a series resolution authorizing the issuance of \$112,605,000 for Wake Forest Baptist Obligated Group, Series 2012B and (3) to consider a resolution approving the defeasance of the North Carolina Medical Care Commission FHA insured Mortgage Revenue Bonds (Morehead Memorial Hospital Project), Series 2005.

VI. Presentation

Hospitals in NC and Southeastern US- The Current Position and Future Outlook

Dixon Hughes Goodman by Don McNeil, LLP and Larry Hughes

VII. Old Business

1. Rutherford Hospital - Presentation on Financial and Operational Position.....**Cindy Buck, CEO**

2. MedWest/ WestCare - Presentation on Financial and Operation Position

Steve Heatherly and Rose Coyne

3. Nursing Home Rules.....**Nadine Pfeiffer (Exhibit C)**

4. EMS Rules..... **Nadine Pfeiffer (Exhibit D)**

5. EMS Rules..... **Nadine Pfeiffer (Exhibit E)**

VIII. Bond Projects

A. Columbus Regional Healthcare System - Christopher Taylor and Steven Lewis

Resolution: The Commission grants preliminary approval to a project for Columbus Regional Healthcare System to provide funds, to be used together with other available funds, to finance (1) a \$5.7 million Surgery/Endo renovation that will add one additional surgical suite and one endoscopy suite.(2) \$7.6 million in facility infrastructure projects consisting of three Air Handler replacements, two boilers for hot water and steam, two chillers, new HVAC for the existing campus, building automation system and fire pump upgrades. (3) \$6.7 million replacement of the IT platform with the McKesson Paragon product and upgrades to the IT data center, and (4) refund the existing \$3.5 million BB &T note issued under N.C. General Statute 160A-20 to achieve an estimated \$103,000 in NPV savings (3.0% of refunded debt) 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	\$25,730,000
Cash and negotiable securities from reserves	90,366
Other Net Premium	88,774
Total	\$25,909,140

ESTIMATED USES OF FUNDS

Site costs	\$5,000
Construction contracts	
(A) Surgery Suite and endoscopy Center	3,019,765
(B) Facility Infrastructure	6,489,280
(C) Paragon and IT Systems and IT Data Center	6,763,279

Construction contingency (5% of construction contract)	813,616
Architect/engineer fees and reimbursables	1,403,782
Moveable equipment 933,438	
Information Systems 196,438	
Surveys, tests, insurance	94,481
Consultants' fees related to construction	212,907
Amount required to repay loan	3,487,527
Debt service reserve fund	1,924,970
Underwriters' discount (Included \$50,000 for counsel)	249,407
Feasibility fees	90,000
Accountants fees	30,000
Legal fees for Hospital counsel	55,000
Bond counsel	75,000
Rating agencies	30,000
Trustee fees	7,500
Printing costs	3,000
DHSR fee (G.S. 131E-267)	16,000
Local Government Commission fee	8,750
Total	\$25,909,140

Tentative approval is given with the understanding that the governing board of Columbus Regional Healthcare System 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/conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance/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 /conversion of bonds of 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/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 |

Notes:

A) Information from Audited Financials for FYE September 30, 2011.

Operating income	\$1,151,517
Excess of revenue over expenses	\$2,390,183
Net cash provided by operating activities	\$33,708
Net increase in cash and cash equivalents	(\$6,823,249)

B) Community Benefits per ANDI Report for FYE 9/30/2011

Total Community Benefits	\$7,626,056
Bad Debts	<u>3,144,635</u>
Total	\$10,770,691

C) Not currently rated, but expect a BBB+ category rating on the Bond Issue.

D) Long Term Debt Service Coverage Ratio

Actual	FYE	9/30/2011	7.5
Projected	FYE	9/30/2012	8.2
Projected	FYE	9/30/2013	5.1
Projected	FYE	9/30/2014	5.9
Projected	FYE	9/30/2015	6.1

E) Bond Financing Participants:

Senior Manager - Wells Fargo
 Bond Counsel – Nexsen Pruet
 Corporation Counsel – Robinson Bradshaw & Hinson, LLP
 Underwriters’ Counsel – Parker Poe Adams & Bernstein, LLP

B. Twin Lakes.....Chris Taylor & Charlie Harris, CEO Twin Lakes

Resolution of the North Carolina Medical Care Commission Authorizing the Conversion of the Interest Rate Determination Method on Commission bonds resulting in a lower interest rate for Lutheran Retirement Ministries of Alamance County, North Carolina on the bonds.

Executive Committee Action:

WHEREAS, the North Carolina Medical Care Commission (the “*Commission*”) is a commission of the Department of Health and Human Services of the State of North Carolina and is authorized under Chapter 131A of the General Statutes of North Carolina, as amended (the “*Act*”), to borrow money and to issue in evidence thereof bonds and notes for the purpose of providing funds to pay all or any part of the cost of financing or refinancing health care facilities and to refund bonds previously issued by the Commission; and

WHEREAS, Lutheran Retirement Ministries of Alamance County, North Carolina (the “*Corporation*”) is a nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina and is a “non-profit agency” within the meaning of the Act; and

WHEREAS, the Commission has previously issued its Health Care Facilities Revenue Refunding Bonds (Lutheran Retirement Ministries), Series 2009 (the “*Series 2009 Bonds*”) for the benefit of the Corporation; and

WHEREAS, the Series 2009 Bonds are presently outstanding in an aggregate principal amount of \$29,630,000; and

WHEREAS, the Series 2009 Bonds are owned by Branch Banking and Trust Company (“*BB&T*”) and BB&T has agreed to a conversion of the interest rate determination method for the Series 2009 Bonds from the current Bank-Bought Rate of 68% of one-month LIBOR plus 1.41375% per annum to a new Bank-Bought Rate of 68% of one-month LIBOR plus 1.2125% per annum; and

WHEREAS, the Corporation has given the required notice (the “*Notice*”) to the Commission pursuant to the Trust Agreement dated as of December 1, 2009 between the Commission and The Bank of New York Mellon Trust Company, N.A. of the conversion and the related changes to the terms of the Series 2009 Bonds; and

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

Section 1. The conversion of the interest rate determination method for the Series 2009 Bonds from the current Bank-Bought Rate of 68% of one-month LIBOR plus 1.41375% per annum to a new Bank-Bought Rate of 68% of one-month LIBOR plus 1.2125% per annum and the related changes to the terms of the Series 2009 Bonds as set forth in the Notice are hereby approved in all respects.

Section 2. The Chairman, Vice Chairman, Secretary, and any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) are each hereby authorized and directed (without limitation except as may be expressly set forth herein) to take such action and to execute and deliver any such documents, certificates, undertakings, agreements or other instruments as they, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by this Resolution.

Section 3. This Resolution shall take effect immediately upon its passage.

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 February 8, 2013,

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 February 8, 2013.

X. MEMBER REPORT

XI. 2013 MCC Meeting Dates.....Chris Taylor

- February 7-8
- May 16-17
- August 8-9
- November 14-15

XII. ADJOURNMENT - A motion to adjourn is requested.