

DEPARTMENT OF HEALTH AND HUMAN SERVICES
MEDICAL CARE COMMISSION QUARTERLY MEETING
DIVISION OF HEALTH SERVICE REGULATION
801 BIGGS DRIVE RALEIGH, NORTH CAROLINA 27603
BROWN BUILDING CONFERENCE ROOM- 104
PLANNING SESSION
FEBRUARY 9, 2017
3:00 P.M.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
MEDICAL CARE COMMISSION QUARTERLY MEETING
DIVISION OF HEALTH SERVICE REGULATION
801 BIGGS DRIVE RALEIGH, NORTH CAROLINA 27603
BROWN BUILDING CONFERENCE ROOM- 104
FEBRUARY 10, 2017
9:00 A.M.
MINUTES

I. MEDICAL CARE COMMISSION PLANNING SESSION– FEBRUARY 9, 2017

MEMBERS PRESENT	MEMBERS ABSENT
John A. Fagg, M.D., Chairman Joseph D. Crocker, Vice-Chairman Robert S. Alphin, M.D. Eileen C. Kugler, RN, MSN, MPH, FNP (Via-Conference Call) Albert F. Lockamy, Jr., RPh G. Wayne Long J. William Paugh Carl K. Rust, II, M.D. Devdutta G. Sangvai, M.D. Patrick D. Sebastian Robert E. Schaaf, M.D. Henry A. Unger, M.D. Paul M. Wiles	Vickie L. Beaver Charles H. Hauser Kenly P. Lewis, D.D.S.
<u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u>	
Mark Payne, Director, DHSR, Secretary, MCC Emery Milliken, Deputy Director, DHSR Steven Lewis, Chief, Construction Section, DHSR Jeff Harms, Assistant Chief, Construction Section, DHSR Megan Lamphere, Chief, Adult Care Licensure Section Jan Brickley, RPh, Adult Care Licensure Section Libby Kinsey, RN, Adult Care Licensure Section Doug Barrick, Adult Care Licensure Section Scott Ashley, Adult Care Licensure Section Azzie Conley, Chief, Acute & Home Care Licensure, DHSR Tom Mitchell, Chief, Office of Emergency Medical Services Wally Ainsworth, Office of Emergency Medical Services	

Chuck Lewis, Office of Emergency Medical Services Beverly Speroff, Assistant Chief, Nursing Home Licensure Bethany Burgon, Assistant Attorney General, NCDOJ Nadine Pfeiffer, Rules Coordinator, DHSR Kathy Larrison, Auditor, MCC Crystal Abbott, Auditor, MCC Alice Creech, Executive Assistant, MCC	
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COMMISSION ACTION:

The Medical Care Commission held its planning meeting on Thursday, February 9, 2017 to review rules and a draft Statement of Position on Medicaid Reform on the agenda for Friday, February 10, 2017. The agenda was referred without action to the Medical Care Commission meeting on February 10, 2017.

II. MEDICAL CARE COMMISSION MEETING –FEBRUARY 10, 2017

MEMBERS PRESENT	MEMBERS ABSENT
John A. Fagg, M.D., Chairman Joseph D. Crocker, Vice-Chairman Robert S. Alphin, M.D. Eileen C. Kugler, RN, MSN, MPH, FNP (Via-Conference Call) Kenly P. Lewis, D.D.S. Albert F. Lockamy, Jr., RPh J. William Paugh Carl K. Rust, M.D. Devdutta G. Sangvai, M.D. Robert E. Schaaf, M.D. Patrick D. Sebastian Henry A. Unger, M.D. Paul M. Wiles	Vickie L. Beaver Charles H. Hauser G. Wayne Long
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Bethany Burgon, Assistant Attorney General, NCDOJ Nadine Pfeiffer, Rules Coordinator, DHSR Kathy Larrison, Auditor, MCC Crystal Abbott, Auditor, MCC Alice Creech, Executive Assistant, MCC	
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OTHER ATTENDANCE: (attached as Exhibit C)

III. CHAIRMAN’S COMMENTS:

Dr. John Fagg called the meeting to order at 9:00 a.m. and thanked the Commission for their attendance.

Dr. Fagg reminded the Commission Members that when a bond proposal comes before the Commission and the Member owns stock in any of the financial institutions involved in it, the Member may speak on the project but must recuse himself/herself based on the conflict of interest and not vote on it.

Dr. Fagg referenced the Commission’s approval of a bond proposal for an institution at its last meeting and it being noted shortly after the approval was given that the Commission had failed to strictly adhere to the compliance policy adopted by it in November of 2015. Dr. Fagg informed the Commission that two institutions that failed to meet the requirements of the Commission’s compliance policy had contacted staff about their interest in bringing a bond proposal before the Commission; and, per the direction of the Chairman and Vice Chairman, one facility was advised to wait six months before bringing their proposal to the Commission and the other facility was advised to wait one year. In addition, both were offered the opportunity to come to the full Commission to state their case; but, so far, they have not requested to do so.

Dr. Fagg also reminded the Commission of his appointment of a Hospital Bylaws Subcommittee to review hospital rules related to medical staff bylaws. The Subcommittee will bring their recommendations to the full Commission at a later date. Dr. Fagg invited anyone on the Commission who would like to participate on the Subcommittee to please let him know.

IV. INTRODUCTION OF NEW COMMISSION MEMBERS:

Dr. Fagg asked the new Commission Members, Mr. J. William Paugh and Mr. Patrick D. Sebastian to introduce themselves. Mr. Paugh represents the NC Hospital Association and replaces retiring member Mr. Chuck Frock. Mr. Sebastian is an at-large member and replaces retiring member Dr. Elizabeth Kanof.

V. APPROVAL OF MINUTES from the November 4, 2016 Medical Care Commission Quarterly Meeting was requested **(attached as Exhibit A).**

COMMISSION ACTION: Motion to approve the minutes was made by Mr. Crocker, seconded by Dr. Schaaf, and unanimously approved.

VI. RESOLUTION OF APPRECIATION WAS PRESENTED TO THE FOLLOWING RETIRING STAFF MEMBER:

- Christopher B. Taylor, CPA

VII. REPORT FROM MARK PAYNE, DIRECTOR OF HEALTH SERVICE REGULATION

Mr. Payne acknowledged his excellent staff and thanked Kathy Larrison, Crystal Watson-Abbott, and Alice Creech for their continued support of the work of the Medical Care Commission and taking on additional responsibilities over the past 6 weeks. He also thanked the Chairman and Vice-Chairman for giving unselfishly of their time to provide guidance and support during this transition period, including reviewing the job posting for the Audit Manager position which supports the Commission. Mr. Payne reported that the position has been posted on the State's Job Opportunities website and the Division's HR team has also arranged for it to be posted on LinkedIn, the American College of Healthcare Executives, Leading Age North Carolina, and NC-HFMA websites and are pursuing posting it on the NC Hospital Association's and NC Association of CPAs' websites. He welcomed the Commission Members assistance in recruiting strong candidates.

Other items to report on are listed below (see Exhibits B-B/3):

1. Quarterly Report on Bond Program (**attached as Exhibit B**) Kathy Larrison
2. The Executive Committee held telephone conference call meetings on the following dates:

November 29, 2016 - To consider Resolutions granting preliminary approval to refunding transactions for Arbor Acres United Methodist Retirement Community, Series 2007 and Series 2010. (**attached as Exhibit B/1**).

December 12, 2016 - To consider Resolutions (a) authorizing the sale of bonds, the proceeds of which are to be loaned to Arbor Acres United Methodist Retirement Community, Inc., (b) authorizing the execution and delivery of a Second Supplemental Trust Agreement for the 2010 Bonds issued for the benefit of Arbor Acres United Methodist Retirement Community, Inc., and (c) authorizing the issuance and sale of bonds, the proceeds of which will be loaned to Blue Ridge HealthCare System, Inc. (**attached as Exhibit B/2**).

January 26, 2017 – To consider preliminary approval for a refunding transaction for Lutheran Services for the Aging, Inc. (**attached as Exhibit B/3**).

COMMISSION ACTION: Motion was made by Dr. Sangvai to affirm the actions of the Executive Committee, seconded by Dr. Schaaf, and unanimously approved.

VIII. A REPORT ON MCC COMPLIANCE DEFICIENCIES WILL BE DISCUSSED AT THE MAY QUARTERLY MEETING.

IX. BOND PROJECT

- A. **Aldersgate United Methodist Retirement Community, Inc., Charlotte** - Crystal Watson-Abbott and Steven C. Lewis

Remarks were made by Susanne Pugh, Tommy Lawing, Jr., Mike Wallace, and Seth Wagner on behalf of Aldersgate. Questions and Comments were offered by Commission Members Mr. Wiles, Mr. Crocker, Mr. Paugh, Dr. Rust, and Dr. Sangvai.

Resolution: The Commission grants preliminary approval to a project for 62 new independent living units in three mid-rise buildings known as "Gateway." The Series 2017 will be financed with a combination of bank debt and bond debt. It also will take out up to \$16.4 million of an existing taxable bank loan with SunTrust Bank, the proceeds of which, were used to fund the construction of a new community building 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 (Fixed Rate)	\$16,345,000
Tax-Exempt Intermediate Bank Bought Loan	16,461,100
Long Term Tax-Exempt Bank Bought Loan	15,249,369
Equity Contribution (Excess of 2%)	218,119
Total	\$48,273,588

ESTIMATED USES OF FUNDS

Site Costs - utility development and accessibility costs and necessary engineering fees	\$130,454
Construction contracts	21,344,091
Construction contingency (1% of construction contract)	215,597
Architect/engineer fees and reimbursables	690,842
Surveys, tests, insurance	632,001
Owner's Representation	569,751
Project Management	470,834
Routine Capital Expenditures	3,400,000
Commons Building Project Fund	3,333,282
Sun Trust Loan takeout	9,942,548
Marketing costs	2,509,847
Interior Design	22,591
Bond interest during construction	2,615,253
Debt service reserve fund	1,214,031
Underwriters' discount/placement fee	523,866
Feasibility fees	133,100
Accountants fees	27,500
Legal fees for Corporation counsel	82,500
Bond counsel	93,500
Trustee fees	5,500
Printing costs	11,000
DHSR reimbursables	44,000
Local Government Commission fee	8,750
Appraisal	11,000
Survey	16,500
Title Insurance	82,500
Trustee Counsel	5,500
Bank Counsel	38,500
Bank Commitment Fee	95,132
Additional Proceeds	3,618
Total	\$48,273,588

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.
9. The borrower will furnish, prior to the sale of or reissuance of the bonds or notes or execution of the leases, evidence that it is in compliance with the covenants of all of its outstanding Medical Care Commission debt.

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 |

COMMISSION ACTION: Motion to adopt the Resolution was made by Mr. Lockamy, seconded by Dr. Schaaf, and unanimously approved with recusals by Dr. Fagg, Dr. Rust, Mr. Paugh, and Dr. Lewis.

X. MCC BOND SALE APPROVAL POLICY

Dr. John Fagg

Whereas, the Commission (MCC) is desirous of having full and more timely information, as it relates to the pricing of and sale of tax-exempt debt, the Commission hereby adopts the following policy related to publicly offered bonds and privately placed bonds:

As to Publicly Offered Bonds the Following Shall Apply:

- (1) Preliminary Approval
The agenda item submitted for consideration for preliminary approval by the MCC of a proposed transaction shall include a summary of the best estimate at the time of interest rates, maturities, true interest cost of the proposed bond issue and, if applicable, the estimated net present value savings on refunded bonds.
- (2) Mailing of Preliminary Official Statement
At time, the Preliminary Official Statement (POS) is delivered to potential investors, the MCC shall be provided with a summary of the proposed transaction including sources and uses, maturities, interest rates, and if applicable, projected net present value savings on refunded bonds.
- (3) Final Approval by Executive Committee
At time of the request for final approval of the bond sale, the MCC shall be provided with the final interest rates, maturities, true interest cost and, if applicable the net present value savings on refunded bonds, and a verbal explanation of the differences between the summary of the proposed transaction at the time of delivery of the POS, and at the time of final approval.

As to Privately Placed Bonds (Bank Bought Bonds) the Following Shall Apply:

The information provided above as part of the request for preliminary approval shall also be provided to the MCC in connection with a privately placed bond issue. The MCC shall also be provided as part of the Series Resolution, the maturity schedule and the interest rate as soon as they are available but no later than the day prior to the MCC meeting to consider final approval of the tax-exempt debt transaction.

Effective this 10th day of February, 2017.

COMMISSION ACTION: Motion was made to approve the Policy by Dr. Unger, seconded by Dr. Schaaf, and unanimously approved.

XI. OLD BUSINESS

A. Rules for Adoption (Rules and Comments) Nadine Pfeiffer

1) Adult Care Home Administrator Licensure Rules
(Megan Lamphere & Nadine Pfeiffer)
Exhibits G-G/2

a) Licensing of Homes for the Aged and Infirm
Adoptions - 10A NCAC 13F .0401, .1701-.1703

b) Licensing of Family Care Homes
Adoptions and Repeal - 10A NCAC 13G .0401, .1501-.1502

COMMISSION ACTION: The Commission unanimously approved to move forward with the adoption of these rules.

- 2) Licensing of Overnight Respite Services Rules (Megan Lamphere & Nadine Pfeiffer)
Exhibits G/3-G/6
Adoptions for 45 rules in new Subchapter 10A NCAC 13E

COMMISSION ACTION: The Commission unanimously approved to move forward with the adoption of these rules.

- 3) Emergency Medical Services and Trauma Rules (Tom Mitchell & Nadine Pfeiffer)
Exhibits G/7-G/13
- a) Readoption with Substantial Change Republication – 10A NCAC 13P .0203
- b) Readoption – 10A NCAC 13P .0204

COMMISSION ACTION: Motion was made to adopt the Emergency Medical Services and Trauma Rules by Dr. Sangvai, seconded by Mr. Crocker, and unanimously approved.

B. Periodic Review of Existing Rules (HB 74) – Final Category Determination

- 10A NCAC 13B, Licensing of Hospitals (Nadine Pfeiffer & Azzie Conley)
Comments review, final report approval **Exhibits H-H/4**

COMMISSION ACTION: Motion was made to approve the final category determination report for these rules by Mr. Crocker, seconded by Dr. Schaaf, and unanimously approved.

XII. NEW BUSINESS

Periodic Review of Existing Rules (HB 74) – Initial Category Determination

- 1) 10A NCAC 13C, Licensing of Ambulatory Surgical Facilities (Nadine Pfeiffer)
(Azzie Conley & Steven Lewis)
Exhibits I-I/2

COMMISSION ACTION: Motion was made to approve the initial category determination report for these rules by Mr. Crocker, seconded by Ms. Kugler, and unanimously approved.

- 2) 10A NCAC 14A, Rulemaking (Nadine Pfeiffer)
Section .0300 – Hearings: Transfers and Discharges **Exhibits I/3-I/5**

COMMISSION ACTION: Motion was made to approve the initial category determination report for these rules by Dr. Schaaf, seconded by Dr. Sangvai, and unanimously approved.

XIII. EXECUTIVE COMMITTEE APPOINTMENT

Dr. John Fagg

The Chairman appointed Mr. Paul Wiles to serve out the remainder of Mr. Charles Frock's term on the Executive Committee, which will end on December 31, 2018.

XIV. STATEMENT OF POSITION OF THE NORTH CAROLINA MEDICAL CARE COMMISSION ON MEDICAID REFORM

Dr. John Fagg

The Commission issued its Statement of Position on Medicaid Reform/Expansion. The Statement of Position was sent to the Governor, DHHS Secretary and the General Assembly.

XV. REFUNDING OF COMMISSION BOND ISSUES

Kathy Larrison

Recommended:

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 12, 2017 in Raleigh, North Carolina;

THEREFORE, BE IT RESOLVED; that the Commission authorize its Executive Committee to approve projects involving the refunding of existing Commission debt between this date and May 12, 2017.

COMMISSION ACTION: Motion was made to adopt the above resolution by Dr. Unger, seconded by Dr. Sangvai, and unanimously approved.

XVI. ADJOURNMENT:

There being no further business the meeting was adjourned at 10:40 a.m.


S. Mark Payne, Secretary

03/08/2017
Date