

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 17, 2011

3:00 P.M.

I. MEDICAL CARE COMMISSION PLANNING MEETING.

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

COMMISSION ACTION

The Medical Care Commission held its planning meeting on Thursday, November 17, 2011 and Mrs. Bode welcomed everybody to the meeting and asked the audience to introduce themselves. The Commission then reviewed the Acute Care Licensure Section and EMS Rule Change Request as per the Governor's Executive Order No. 70: Review of Existing Rules. A presentation was given by Dr. Carole Koeble, of the NC Center for Hospital Quality and Patient Safety.

The agenda was referred without action to the Medical Care Commission meeting on November 18, 2011.

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November 18, 2011

9:00 A.M.

I. MEDICAL CARE COMMISSION QUARTERLY MEETING

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Joseph D. Crocker, Vice-Chairperson	Henry A. Unger, M.D.
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Regina Godette, Chief, DHSR/OEMS	
Alice Creech, Bond Program Assistant, MCC/DHSR	

II. CHAIRPERSON'S COMMENTS

Ms. Bode welcomed everybody to the meeting and introduced DHHS Secretary Lanier Cansler. Secretary Cansler spoke on the changes being implemented in DHHS and the outcome of Project Excel. 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 August 12, 2011 meeting. (**attached as Exhibit A**).

Commission Action: Motion was made by Mr. Cecil, seconded by Mr. Crocker 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 current DHSR projects.

Other items to report on are listed below (**see Exhibits B – B3**):

1. Quarterly Report on Bond Program (**attached as Exhibit B**)
2. Comments on financially challenged hospitals (**attached as Exhibit I**).....**Chris Taylor**

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

September 15, 2011 - To approve the sale of bonds for Cone Health, Series 2011C and 2011D and to consider granting preliminary approval to a project for Friends Homes, Inc. (**Exhibit B/1**)

September 22, 2011 - To consider approval of (1) the conversion of the Commission's Health Care Facilities Revenue Bonds (Duke University Health System) Series 2006, consisting of Series 2006A, Series 2006B and Series 2006C to "Bank-Bought Index Floating Rates," and (2) a First Supplemental Trust Indenture relating to the Commission's Health Care Facilities Revenue Bonds (Pungo District Hospital Corporation Project), Series 1997. (**Exhibit B/2**)

October 19, 2011 - To consider for approval the sale of bonds for Friends Homes, Inc, and to consider an Escrow Deposit Agreement for the defeasance of the Maria Parham Medical Center, Series 2003 Bonds. (**Exhibit B/3**)

V. Election of Three Members to the Executive Committee – In accordance with 10NCAC 13A.0101 North Carolina Medical Care Commission Executive Committee in odd numbered years the membership of the Commission elects three members to serve on the Executive Committee for a two year term beginning January 1, 2012 the following year.

Note: The following three members' terms expire December 31, 2011 and are not eligible to be re-elected as they are completing their second term on the Executive Committee. They are Gerald Cox, Charles Frock and Dr. Robert Schaaf.

Commission Action: Motion was made by Mr. Cox, seconded by Mr. Crocker and unanimously approved to appoint George Cecil, Al Lockamy, and Mary Piepenbring to the Executive Committee for a two year term beginning January 1, 2012.

VI. Presentation:

Midlevel Utilization in the Hospital Setting.....**Lisa Shock**

VII. Old Business:

A. EMS Rules.....**Exhibit G**
Mandy Poole, DHSR Rules Coordinator & Regina Godette-Crawford, Chief/OEMS

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

VIII. Bond Projects

A. **Carolina Adventist Retirement System, Inc., Candler** - Christopher Taylor & Steve Lewis (Exhibits C & H)

Statements were given by **David Keeter, CEO** and **Deborah Hawkins, CFO**.

Commission Action: Motion was made by Mr. Crocker, seconded by Dr. Binder and approved with the recusal of Mr. Fagg, Dr. Rust and Mr. Leonard.

Resolution: The Commission grants preliminary approval to a project for Carolina Adventist Retirement System, Inc. for a project to be funded with a non-bank qualified direct purchase bond issue. The proceeds of the issue will be used to (1) refinance the existing debt on the Winslow facility in Elizabeth City, North Carolina and (2) fund a replacement of the existing Pisgah Manor Nursing Home located in Candler, North Carolina. The replacement shall be a 65,000 square foot, 118 Bed Skilled Nursing Facility all in accordance with a preliminary application, plans, specifications and participation as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$14,929,000
Total	\$14,929,000

ESTIMATED USES OF FUNDS

Site utility development and accessibility costs	\$1,124,000
Construction contracts	\$7,125,000
Construction contingency (5% of construction contract)	\$342,000
Architect/engineer fees and reimbursables	\$205,000
Moveable equipment	\$295,000
Amount required to repay loan on the Winslow facility	\$5,573,000
Placement fee	\$30,000
Feasibility fees	\$15,000
Legal fees for corporation counsel	\$15,000
Bond counsel	\$60,000
Trustee fees	\$2,500
DHSR reimbursable	\$17,000
Local Government Commission fee	\$8,750
Appraisal	\$35,000
Financial advisor	\$30,000
Bank counsel	\$42,500
Miscellaneous	\$9,250
Total	\$14,929,000

Tentative approval is given with the understanding that the governing board of Carolina Adventist Retirement 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 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 | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |
| 2. Construction and related costs are reasonable | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |

B. Carolina Village –Hendersonville, NC - Chris Taylor

Resolution of the North Carolina Medical Care Commission Approving and Authorizing Execution and Delivery of a First Amendment to Loan Agreement relating to the North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Carolina Village, Inc.), Series 1998

Commission Action: Motion was made by Dr. Rust seconded by Mr. Lockamy and approved with the recusal of Mr. Cox and Mr. Cecil.

WHEREAS, the North Carolina Medical Care Commission (the “Commission”), a commission of the Department of Health and Human Services of the State of North Carolina, has issued \$7,700,000 Health Care Facilities Revenue Bonds (Carolina Village, Inc. Project), Series 1998 (the “Bonds”) under an Amended and Restated Trust Indenture, dated as of April 12, 2010 (the “Trust Indenture”), between the Commission and U.S. Bank National Association, as trustee (the “Trustee”); and

WHEREAS, the Commission has loaned the proceeds from the sale of the Bonds to Carolina Village, Inc. (the “Borrower”) pursuant to an Amended and Restated Loan Agreement, dated as of April 12, 2010 (the “Loan Agreement”), between the Commission and the Borrower; and

WHEREAS, as additional security for the payment of principal of and interest on the Bonds and the purchase price of tendered Bonds, the Borrower has caused an irrevocable, direct-pay letter of credit (the "Credit Facility") to be issued by First-Citizens Bank & Trust Company (the "Credit Issuer") and a confirming letter of credit (the "Confirmation") to be issued by Wells Fargo Bank, National Association; and

WHEREAS, in connection with the issuance of the Confirmation in April 2010, the original trust indenture and loan agreement for the Bonds were amended and restated as described above to add the necessary mechanics relating to a Confirmation; and

WHEREAS, Section 5.8(e) of the Loan Agreement requires certain certifications to be delivered by an Accountant, and the Trustee is not certain that what has been delivered satisfies the requirements of Section 5.8(e); and

WHEREAS, the most recent certificate provided by an Accountant, however, does satisfy the requirements contained in more recent loan agreements between the Commission and the Borrower relating to other series of bonds issued by the Commission on behalf of the Borrower (the "2008 Loan Agreements"); and

WHEREAS, the Borrower, the Trustee and the Commission desire to amend Section 5.8(e) of the Loan Agreement so that it conforms with the provisions in the 2008 Loan Agreements regarding Accountant's certifications; and

WHEREAS, Section 12.3(i) of the Trust Indenture and Section 11.2 of the Loan Agreement permit the Commission and the Borrower, with the consent of the Bond Trustee and the Credit Issuer, but without the consent of or notice to any Holders (as defined in the Trust Indenture), to enter into an amendment to the Loan Agreement for the purpose of curing any ambiguity or formal defect or omission that shall not adversely affect the interest of the Holders; and

WHEREAS, there has been presented at this meeting a draft copy of a First Amendment to Amended and Restated Loan Agreement, to be dated on or after November 18, 2011 (the "Amendment") between the Commission and the Borrower, that would amend Section 5.8(e) of the Loan Agreement as described above; and

WHEREAS, the Borrower has requested that the Commission approve the Amendment and authorize its execution and delivery;

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

Section 1. The forms, terms and provisions of the Amendment are hereby approved in all respects, and the Chairman, Vice Chairman, Secretary or Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) are hereby authorized and directed to execute and deliver the Amendment in substantially the form presented at this meeting, together with such changes, modifications and deletions as they, with the advice of bond counsel, may deem necessary and appropriate, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 2. The Chairman, Vice Chairman, Secretary or Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) or any duly authorized Commission Representative under the Trust Indenture are authorized and directed to take such other action and to execute and deliver any such other documents, certificates, undertakings, agreements or other instruments as they, with the advice of bond counsel, may deem necessary or appropriate to effect the amendment of the Loan Agreement described in this resolution.

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

X. Refunding of Commission Bond Issues

Recommended:.....**Chris Taylor**

Commission Action: Motion was made by Mr. Crocker, seconded by Mr. Cox 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 February 10, 2012.

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 10, 2012.

XI. Adoption of calendar for 2012 meetings.

The proposed dates for the 2012 quarterly Medical Care Commission Meetings are as follows:

February 9-10, 2012

May 10-11, 2012

August 9-10, 2012

November 8-9, 2012

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

XII. MEMBER REPORT

XIII. Questions from the Public – The Commission will receive questions from the public.

XIV. ADJOURNMENT - A motion to adjourn is requested.

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

THE MEETING ADJOURNED AROUND 12:40 P.M.

Drexdal Pratt

Secretary

 12/7/11

Date