



North Carolina Department of Health and Human Services
Division of Health Service Regulation

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

MARK PAYNE
DIRECTOR

July 31, 2017

Randi L. Shults
3916 Ben Franklin Boulevard
Durham, NC 27704

Exempt from Review

Record #: 2345
Facility Name: North Carolina Specialty Hospital
FID #: 943374
Business Name: North Carolina Specialty Hospital
Business #: 1328
Project Description: Renovation and expansion to include decontamination, clean work and sterile supply areas, expansion of procedure room and development of an additional procedure room, repositioning of support spaces, reconfiguration of equipment storage area in the operating room suite, relocation of two licensed acute care beds and add necessary support space, conversion of the space occupied by the relocated acute beds to unlicensed observation beds, and expansion of the 2nd floor to accommodate five unlicensed observation beds
County: Durham

Dear Ms. Shults:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letter of July 10, 2017, the above referenced proposal is exempt from certificate of need review in accordance with N.C. Gen. Stat. §131E-184(g). Therefore, you may proceed to offer, develop or establish the above referenced project without a certificate of need.

However, you need to contact the Agency's Construction and Acute and Home Care Licensure and Certification Sections to determine if they have any requirements for development of the proposed project.

It should be noted that this determination is binding only for the facts represented by you. Consequently, if changes are made in the project or in the facts provided in your correspondence referenced above, a new determination as to whether a certificate of need is required would need to be made by the Agency. Changes in a project include, but are not limited to: (1) increases in the capital cost; (2) acquisition of medical equipment not included in the original cost estimate; (3) modifications in the design of the project; (4) change in location; and (5) any increase in the number of square feet to be constructed.

Healthcare Planning and Certificate of Need Section

www.ncdhhs.gov

Telephone: 919-855-3873 • Fax: 919-715-4413

Location: Edgerton Building • 809 Ruggles Drive • Raleigh, NC 27603

Mailing Address: 2704 Mail Service Center • Raleigh, NC 27699-2704

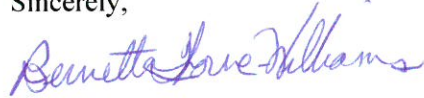
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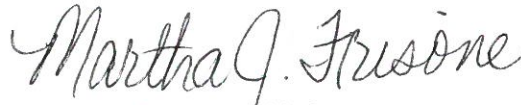
Ms. Shults
North Carolina Specialty Hospital
July 31, 2017
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If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,



Bernetta Thorne-Williams
Project Analyst



Martha J. Frisone, Chief
Healthcare Planning and Certificate of Need Section

cc: Construction Section, DHSR
Acute and Home Care Licensure and Certification Section, DHSR
Paige Bennett, Assistant Chief, Healthcare Planning, DHSR

Effective January 01, 2017, this license is issued to

North Carolina Specialty Hospital, LLC

to operate a hospital known as

North Carolina Specialty Hospital

located in Durham, North Carolina, Durham County.

*This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall remain
in effect until amended by the issuing agency.*

Facility ID: 943374

License Number: H0075

Bed Capacity: 18

General Acute 18

Dedicated Inpatient Surgical Operating Rooms: 0

Dedicated Ambulatory Surgical Operating Rooms: 0

Shared Surgical Operating Rooms: 4

Dedicated Endoscopy Rooms: 0

Bernetta Thorne-Williams, Project Analyst
Health Planning and Certificate of Need Section
Division of Health Service Regulations, DHHS
Mail Service Center 2704
Raleigh, NC 27699-2704



RE: Updated Exemption Notice / Renovations and expansion of health service facility pursuant to NCGS § 131E -184(g) / North Carolina Specialty Hospital / Durham County

Dear Ms. Thorne-Williams:

Thank you for sending the attached letter “Exempt from Review, Record # 2291” dated June 9, 2017. (Please see Exhibit 1.) North Carolina Specialty Hospital (NCSH) is submitting a new exemption notice because the hospital intends to change the scope of the project that includes increases in capital cost, modification of the design of the project and increases in the number of square feet to be constructed. The updated plans are included and document the intent of NCSH to renovate and expand specific portions of the main hospital to improve workflow and enhance patient care. NCSH is requesting confirmation that this renovation is exempt from Certificate of Need review pursuant to NCGS § 131E -184(g).

NCGS § 131E -184(g) states that *The Department shall exempt from certificate of need review any capital expenditure that exceeds the two million dollar (\$2,000,000) threshold set forth in G.S. 131E -176(16)b. if all of the following conditions are met:*

- (1) The sole purpose of the capital expenditure is to renovate, replace on the same site, or expand the entirety or a portion of an existing health service facility that is located on the main campus.*
- (2) The capital expenditure does not result in (i) a change in bed capacity as defined in G.S. 131E-176(5) or (ii) the addition of a health service facility or any other new institutional health service facility or any other new institutional health service other than that allowed in G.S. 131E-176(16)b.*
- (3) The licensed health service facility proposing to incur the capital expenditure shall provide prior written notice to the Department along with supporting documentation to demonstrate that it meets the exemption criteria of this subsection.*

The sole purpose of the capital expenditure is to renovate and expand portions of the existing health service facility of North Carolina Specialty Hospital that are located on the main campus. The scope of the project involves renovation and new construction to accomplish the following changes to the existing hospital facility:

- Expand the decontamination, clean work, and sterile supply spaces
- Increase the size of an existing procedure room within the operating room suite
- Develop an additional procedure room within the operating room suite
- Reposition support spaces such as a clean linen, soiled hold, and bio-hazard rooms, as well as a reconfiguration of an equipment storage area in the OR suite
- Relocate two licensed acute care beds within the hospital and add necessary support space
- Convert two existing acute care beds to become unlicensed observation beds
- Enlarge the second floor to accommodate five unlicensed observation beds

Increasing the size of the sterile supply spaces is necessary to accommodate the workload due to the high utilization of the four existing shared operating rooms. The procedure room expansion and addition are also needed to respond to increases in procedure room utilization for pain management and other minimally invasive procedures. The reconfiguration of the clean linen, soiled hold, bio-hazard rooms and equipment storage allows for the procedure room changes as well as improved workflow and efficiency.

The relocation of two licensed acute care beds into a new suite will provide the appropriate space to serve high acuity medical and surgical inpatients on an as-needed basis. With the relocation, two existing licensed patient rooms will be delicensed and become observation beds. Five additional unlicensed observation beds are incorporated into the expansion plan on the second floor of the hospital. Having a total of seven additional unlicensed observation beds will be helpful to respond to periods of high census that occur often. When an observation patient occupies a licensed acute care bed the hospital is unable to admit an inpatient into that licensed bed.

The cost of the renovation and expansion project, including the equipment, is expected to be \$8,240,109. A certified cost estimate is provided in Exhibit 2. Floor plans of the existing facility and the proposed project at completion are included in Exhibit 3. The following table summarizes the renovations and new construction:

NCSH Main Campus Hospital	Existing S.F.	Addition - New Construction S.F.	Renovation S.F.	Total S.F. at Completion
1st Floor	39,544	2,154	3,139	42,683
2nd Floor	16,667	3,640	1,931	20,307

The renovation and expansion project will not result in a change of bed capacity or the addition of a health service facility or new institutional health service other than that allowed in NCGS § 131E - 176(16)b. North Carolina Specialty Hospital will continue to be licensed for eighteen medical surgical acute care beds, and four operating rooms. As seen in Exhibit 4 the development of a procedure room is not subject to Certificate of Need. The project will not result in the acquisition of major medical equipment or the offering of health services not currently provided. The only items projected to cost more than \$10,000 each include sterile supply equipment, procedure room lights and patient monitoring equipment.

NCGS § 131E -176(14n) provides “main campus” means all of the following for the purposes of G.S. 131E-184(f) and (g) only:

- a. The site of the main building from which a licensed health service facility provides clinical patient services and exercises financial and administrative control over the entire facility, including the buildings and grounds adjacent to that main building.
- b. Other areas and structures that are not strictly contiguous to the main building but are located within 250 yards of the main building.

The proposed project involves changes to the first floor and second floor renovations at the main campus of North Carolina Specialty Hospital that is located at 3916 Ben Franklin Blvd, Durham, NC 27704. Financial and administrative control is provided in the offices physically located in the first floor of this same main campus. The locations of the financial officer and administrative officer at the main campus are highlighted in the facility plans. North Carolina Specialty Hospital is a licensed health services facility (DHSR Acute Care Licensed No. H0075).

This request shall serve as prior written notice of the proposed capital expenditure and includes documentation to support that this request meets the exemption criteria. Please do not hesitate to contact me at (919) 956-9301 if you need additional information. Thank you for your consideration of this information.

Sincerely,

A handwritten signature in black ink, appearing to read "Randi Shults", written in a cursive style.

Randi Shults
Chief Executive Officer

Exhibits for NCSH Exemption Notice

Exhibit 1 - Exempt from Review Record, # 2291

Exhibit 2 - Certified Cost Estimate Form

Exhibit 3 - Floor plans for the proposed project at completion.

Exhibit 4 - Copy of letter from Drexdal Pratt, DHHS to SCA regarding procedure rooms



Exhibit 1

North Carolina Department of Health and Human Services
Division of Health Service Regulation

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

MARK PAYNE
DIRECTOR

June 9, 2017

Randi L. Shults
3916 Ben Franklin Boulevard
Durham, NC 27704

Exempt from Review

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County: Durham

Dear Ms. Shults:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letter of June 2, 2017, the above referenced proposal is exempt from certificate of need review in accordance with N.C. Gen. Stat. §131E-184(g). Therefore, you may proceed to offer, develop or establish the above referenced project without a certificate of need.

However, you need to contact the Agency's Construction and Acute and Home Care Licensure and Certification Sections to determine if they have any requirements for development of the proposed project.

It should be noted that this determination is binding only for the facts represented by you. Consequently, if changes are made in the project or in the facts provided in your correspondence referenced above, a new determination as to whether a certificate of need is required would need to be made by the Agency. Changes in a project include, but are not limited to: (1) increases in the capital cost; (2) acquisition of medical equipment not included in the original cost estimate; (3) modifications in the design of the project; (4) change in location; and (5) any increase in the number of square feet to be constructed.

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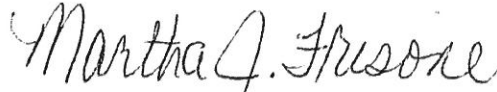
Ms. Shults
North Carolina Specialty Hospital
June 9, 2017
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If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,



Bernetta Thorne-Williams
Project Analyst



Martha J. Frisone, Chief
Healthcare Planning and Certificate of Need

cc: Construction Section, DHSR
Acute and Home Care Licensure and Certification Section, DHSR
Paige Bennett, Assistant Chief, Healthcare Planning, DHSR


EXHIBIT 2 - PROJECTED CAPITAL COST

Project Name: North Carolina Specialty Hospital Renovations and Expansion

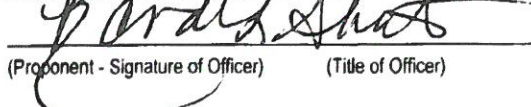
Proponent: North Carolina Specialty Hospital, LLC

A. Site Costs			
(1)	Full purchase price of land	N/A	renovatron
	Acres _____ Price per Acre	N/A	renovation
(2)	Closing costs	N/A	renovation
(3)	Site Inspection and Survey	\$8,000	
(4)	Legal fees and subsoil investigation.	\$2,000	
(5)	Site Preparation Costs		
	Soil Borings	\$2,500	
	Clearing-Earthwork	\$28,000	
	Fine Grade For Slab	\$700	
	Roads-Paving	\$10,000	
	Concrete Sidewalks	\$5,000	
	Water and Sewer	\$5,000	
	Footing Excavation	\$3,200	
	Footing Backfill	\$3,200	
	Termite Treatment	\$700	
	Selective Demolition	\$12,500	
	Sub-Total Site Preparation Costs	\$70,800	
(6)	Other (Specify)	N/A	
(7)	Sub-Total Site Costs		\$80,800
B. Construction Contract			
(8)	Cost of Materials		
	General Requirements	\$31,500	
	Concrete/Masonry	\$142,500	
	Doors & Windows/Finishes	\$1,094,000	
	Thermal & Moisture Protection	\$51,000	
	Equipment/Specialty Items	\$65,000	
	Mechanical/Electrical	\$1,578,000	
	Structural Steel	\$330,000	
	Sub-Total Cost of Materials	\$3,292,000	
(9)	Cost of Labor	\$3,082,132	
(10)	Permit	\$10,500	
(11)	Sub-Total Construction Contract		\$6,384,632
C. Miscellaneous Project Costs			
(12)	Building Purchase	N/A	renovation
(13)	Fixed Equipment Purchase/Lease	\$577,683	
(14)	Movable Equipment Purchase/Lease	\$681,095	
(15)	Furniture	\$10,000	
(16)	Landscaping	\$12,000	
(17)	Consultant Fees		
	Architect and Engineering Fees	\$400,000	
	Commissioning	\$18,900	
	Equipment Planning	\$36,000	
	Reimbursible Expenses	\$30,000	
	Legal Fees	N/A	in-house
	Market Analysis	N/A	in-house
	Material Testing	\$5,000	
	Sub-Total Consultant Fees	\$489,900	
(18)	Financing Costs (e.g. Bond, Loan, etc.)	N/A	
(19)	Interest During Construction	N/A	
(20)	Impact Fees	\$4,000	
(21)	Sub-Total Miscellaneous		\$1,774,677
D.	Total Capital Cost of Project		\$8,240,109

I certify that, to the best of my knowledge, the costs of the proposed project named above are complete and correct.


 _____ Date Certified: 29. Jun. 2017
 (Signature of Licensed Architect or Engineer)

I assure that, to the best of my knowledge, the above costs for the proposed project are complete and correct and that it is my intent to carry out the proposed project as described.


 _____ Date Signed June 29, 2017
 (Proponent - Signature of Officer) (Title of Officer)



Exhib. 4

North Carolina Department of Health and Human Services
Division of Health Service Regulation
Office of the Director

2701 Mail Service Center • Raleigh, North Carolina 27699-2701
<http://www.ncdhhs.gov/dhsr/>

Beverly Hayes Perdue, Governor
Maurice A. DeLoach, Acting Secretary

Drexdal Pratt, Director
Phone: 919-855-3750
Fax: 919-733-2757

November 27, 2012

Mr. Frank Kirschbaum
Nexsen Pruet, LLC
4141 Parklake Avenue, Suite 200
Raleigh, NC 27612

RE: Surgical Care Affiliates v. DHHS. 12 CVS 09409 and 12 CVS 010478

Dear Mr. Kirschbaum,

Subject to any applicable statutory dollar thresholds, The North Carolina Department of Health And Human Services, Division of Health Service Regulation, has determined that procedure rooms will solely be regulated in licensed ambulatory surgical facilities and hospitals, and only to the extent required to ensure that such procedure rooms meet the requirements of the Federal Life Safety Code as referenced in the North Carolina Administrative Code. Neither the Acute and Home Care Licensure and Certification Section, nor the Construction Section will require any determination from the Certificate of Need Section prior to authorizing the use or establishment of a procedure room.

Sincerely,

Drexdal Pratt, Director
Division of Health Service Regulation



Location: 809 Ruggles Drive ■ Dorothea Dix Hospital Campus ■ Raleigh, N.C. 27603
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