

NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**

ROY COOPER • Governor

MANDY COHEN, MD, MPH • Secretary

MARK PAYNE • Director, Division of Health Service Regulation

January 15, 2019

Ken Burgess
PoynerSpruill
301 Fayetteville Street, Suite 1900
Raleigh, NC 27601

Exempt from Review

Record #: 2837
Facility Name: Mission Hospital
FID #: 943349
Business Name: Mission Hospital, Inc.
Business #: 1234
Project Description: Relocate two ORs, J-OR 15 and J-OR 16 on main campus
County: Buncombe

Dear Mr. Burgess:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letter of January 9, 2019, 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.

If you have any questions concerning this matter, please feel free to contact this office.

NC DEPARTMENT OF HEALTH AND HUMAN SERVICES • DIVISION OF HEALTH SERVICE REGULATION
HEALTHCARE PLANNING AND CERTIFICATE OF NEED SECTION

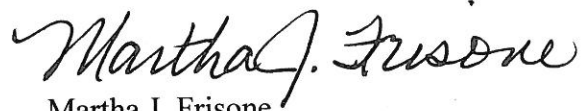
LOCATION: 809 Ruggles Drive, Edgerton Building, Raleigh, NC 27603
MAILING ADDRESS: 809 Ruggles Drive, 2704 Mail Service Center, Raleigh, NC 27699-2704
www.ncdhhs.gov/dhsr • TEL: 919-855-3873

AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

Sincerely,



Gloria C. Hale
Team Leader



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

cc: Construction Section, DHSR
Acute and Home Care Licensure and Certification Section, DHSR
Melinda Boyette, Administrative Assistant, Healthcare Planning, DHSR



Poyner Spruill^{LLP}

January 9, 2019

Kenneth L. Burgess
Partner
D: 919.783.2917
F: 252.972.7045
kburgess@poynerspruill.com

VIA E-MAIL

Martha Frisone, Chief
Gloria Hale, Team Leader
N.C. Department of Health and Human Services
N.C. Division of Health Service Regulation
Certificate of Need Section
809 Ruggles Drive, Raleigh, N.C. 27603

RE: Notice of Exemption for the Relocation of Two Operating Rooms at Mission Hospital, Inc.

Dear Martha and Gloria:

I am writing on behalf of our client Mission Hospital, Inc. ("Mission") to provide the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Certificate of Need Section ("the CON Section" or "the Agency") with prior written notice of the replacement and relocation of two operating rooms designated as J-OR 15 and J-OR 16 on Mission's main campus ("the J-OR Project"), pursuant to N.C. Gen. Stat. § 131E-184(g).

Background

In 2014, Mission provided advance written notice to the CON Section of the development of the hospital's Mission Hospital for Advanced Medicine Project ("the MHAM Project"), explaining why the MHAM Project was exempt from CON Section review under various provisions of the CON Section, including N.C. Gen. Stat. § 131E-184(g), or was otherwise not subject to review and approval by the CON Section, and thus could be developed without first obtaining a Certificate of Need ("CON"). Mission's original Notice of Exemption was filed on February 19, 2014. On May 9, 2014, the CON Section wrote to Mission asking for certain additional information about the MHAM Project. On June 2, 2014, Mission responded to those inquiries, providing the additional information requested by the CON Section. A copy of Mission's 2014 MHAM Notice of Exemption and related correspondence is attached hereto as Attachment 1.¹

Mission's 2014 MHAM Exemption Notice described, among other things, the construction of a new tower on the hospital's main campus adjacent to the existing main hospital, and the relocation of numerous clinical services and spaces from the St. Joseph Building to the Mission Memorial Building, both located on the hospital's main campus, and a major renovation, consolidation and expansion of various clinical, administrative and support services and spaces at the Mission Memorial Building, including certain operating rooms. On June 19, 2014, the CON Section provided written confirmation to Mission that the MHAM Project was not subject to CON Section review and could be developed with a CON. See Attachment 1.

In its 2014 MHAM Exemption Notice, Mission further indicated that its plans for relocation of certain clinical services and spaces from the St. Joseph Building to the Memorial Mission Building would occur in two

¹ We have not included the attachments to Mission's 2014 Notice of Exemption for MHAM because of their size, but they can be provided if needed upon request of the CON Section.

Martha Frisone
January 9, 2019
Page 2

phases. On May 23, 2018, we wrote to the CON Section on behalf of Mission seeking written clarification that this two-staged process was consistent with the Agency's 2014 MHAM Exemption Approval. We received written confirmation that a two-staged process was acceptable via correspondence from the CON Section dated June 4, 2018. See Attachment 2 for Mission's Request for Clarified Exemption Notice and the Agency's response thereto.

Mission is now engaged in the planning stages for Phase II of its relocation of clinical spaces from the St. Joseph Building to the Memorial Mission Building. Phase II includes the relocation of two operating rooms that currently are located in the St. Joseph building to the existing J Building at the Memorial Mission Building ("the J-OR Project"). Please note that much of Mission's 2014 MHAM Project Exemption Notice focused on the development of a New Tower adjacent to the existing Memorial Mission Building. The J-OR Project which is the subject of this Exemption Notice is not part of the New Tower construction. Rather, these two operating rooms will be relocated from the St. Joseph Building to the existing J Building at the Memorial Mission facility, which is immediately adjacent to the New Tower that is currently under construction. However, we have provided the history of the MHAM Exemption Notice process here because both the MHAM Project and the J-OR Project which is the subject of this Exemption Notice are part of the larger relocation of clinical services and spaces from the St. Joseph Building to the Memorial Mission Building and the consolidation of clinical services at the Memorial Mission Building.

For the reasons stated below, this relocation J-OR Project is exempt from CON Section review, and thus does not require that Mission obtain a CON, pursuant to N.C. Gen. Stat. § 131E-184(g).

Applicable Legal Authorities

The CON Law precludes any person from offering or developing a "new institutional health service" without first obtaining a CON. N.C. Gen. Stat. § 131E-178(a). The definition of "new institutional health service" includes, *inter alia*, the following:

- Incurring an obligation for a capital expenditure that exceeds \$2,000,000.00 to develop or expand a health service or health service facility, or which "relates" to the provision of a health service.

N.C. Gen. Stat. §§ 131E-176(16)(b). However, the CON Law includes a specific exemption for health-related capital expenditures in excess of \$2,000,000.00 where 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 located on the main campus." N.C. Gen. Stat. § 131E-184(g). That exemption, where applicable, eliminates the need to obtain a CON before incurring the capital expenditure. The operating room relocation which is the subject of this Exemption Notice involves a capital expenditure in excess of \$2,000,000.00. However, the project is exempt from CON Section review based upon the exemption at N.C. Gen. Stat. § 131E-184(g). That exemption is described below.

The Statutory Exemption For Renovation, Replacement Or Expansion Of An Existing Health Facility On The Same Campus

N.C. Gen. Stat. § 131E-184(g) provides an express exemption from CON Section review for capital expenditures that exceed \$2,000,000.00 where:

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 located on the main campus;

Martha Frisone
January 9, 2019
Page 3

2. So long as the capital expenditure does not result in:
 - a. A change in bed capacity as defined in G.S. 131E-176(5); or
 - b. The addition of a health service facility or any other new institutional health service other than that allowed by G.S. 131E-176(16)b; and
 - c. The CON Section receives prior written notice of the planned expenditure along with documentation demonstrating that the provider meets the exemption.

**The J-OR Project Involves The Relocation And Replacement Of Existing
Operating Rooms On Mission's Main Campus**

The J-OR Project which is the subject of this Exemption Notice is projected to cost in excess of \$2,000,000.00. Please see Attachment 3 which is a Certified Projected Capital Cost Worksheet reflecting that the total project cost is anticipated to be \$2,700,000.00. Of that amount, \$1,425,300.00 will be expended on construction and labor related to renovating existing space at the J Building at Memorial Mission. The remaining \$1,274,000.00 expenditure represents consulting fees, a generous project contingency and the purchase and installation of fixed ceiling OR booms and lights and certain miscellaneous moveable accessory equipment.²

However, the J-OR Project qualifies for the statutory exemption at N.C. Gen. Stat. § 131E-184(g) because the sole purpose of the project and related expenditure is to renovate, relocate and replace a portion of an existing health service facility on the hospital's main campus. The project consists of taking two operating rooms out of service at the St. Joseph campus and relocating them to the J Building at Memorial Mission. Both the St. Joseph Building and Memorial Mission Building are located on the hospital's main campus.

The term "campus" is defined at N.C. Gen. Stat. § 131E-176(2c) as "the adjacent grounds and buildings, or grounds and buildings not separated by more than a public right-of-way, of a health service facility and related health care entities." For the purposes of the exemption at N.C. Gen. Stat. § 131E-184(g), "main campus" is defined as:

- 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; and
- b. Other areas and structures that are not strictly contiguous to the main building but are located within 250 yards of the main building.

N.C. Gen. Stat. § 131E-176(14n).

Both the St. Joseph Building and the Memorial Mission Building are part of a single licensed hospital located on grounds that are adjacent and not separated by more than a public right of way. The Memorial Mission Building is the site from which the hospital exercises clinical and administrative control over the entire hospital. See Attachment 4, reflecting the location of the St. Joseph Building (item 6 on the diagram) and the Memorial Mission Building (item 1 on the diagram). See also, Attachment 5, reflecting that the offices of Mission's clinical and administrative leadership are located at the Memorial Mission Building. See also Attachments 6 (diagram showing existing location at St. Joseph of the operating rooms to be relocated) and 7 (diagram showing the location at Memorial Mission to which the two operating rooms will be relocated). The CON Section has previously determined that the St. Joseph Building and the Memorial

² None of the equipment to be acquired and installed as part of the J-OR Project constitutes major medical equipment as defined by the CON Statute. We address that issue later in this Exemption Notice.

Martha Frisone
January 9, 2019
Page 4

Mission Building are both on the hospital's main campus and, specifically, that the relocation of operating rooms from the St. Joseph Building to Memorial Mission qualifies for the exemption at N.C. Gen. Stat. § 131E-184(g). See Attachment 8 (Mission's 2009 Exemption Notice regarding the relocation of an OR from the St. Joseph Building to Memorial Mission and the Agency's approval thereof based); Attachment 1 (Mission's 2014 MHAM Exemption Notice and the Agency's approval thereof) and Attachment 2 (Mission's 2018 Request for Clarification of 2014 Exemption Notice and the Agency's approval thereof).

The Agency has recently approved a similar request by Wake Forest Baptist Hospital for the demolition of an existing parking deck, the construction of a new patient tower and the relocation of various clinical services to that new tower, including operating rooms, under N.C. Gen. Stat. § 131E-184(g). See Attachment 9.

Mission's J-OR Project Does Not Involve A Change In Bed Capacity

The J-OR Project does not involve a change in bed capacity as defined by N.C. Gen. Stat. § 131E-176(5). That section defines "change in bed capacity" in pertinent part as: (i) any relocation of health service facility beds from one licensed facility or campus to another, or (ii) any redistribution of health service facility bed capacity among the categories of health service facility beds defined in N.C. Gen. Stat. § 131E-176(9c), or (iii) any increase in the number of health service facility beds. The J-OR Project involves only the relocation and replacement of existing operating rooms on Mission's main campus, and does not involve any relocation of health service facility beds from one licensed campus to another, any increase in the number of health service beds or any redistribution of health service facility beds among the categories identified at N.C. Gen. Stat. § 131E-176(9c).

Mission's J-OR Project Is Not A New Institutional Health Service Under N.C. Gen. Stat. § 131E-176(16)u

N.C. Gen. Stat. § 131E-176(16)u includes as a new institutional health service the construction, development, establishment, increase in the number, or relocation of an operating room or gastrointestinal endoscopy room in a licensed health service facility, other than the relocation of an operating room or gastrointestinal endoscopy room within the same building or on the same grounds or to grounds not separated by more than a public right of way adjacent to the grounds where the operating room or gastrointestinal endoscopy room is currently located. Mission's J-OR Project, as previously described, involves only the relocation of two existing operating rooms from the St. Joseph Building to the Memorial Mission building on the same grounds or grounds not separated by more than a public right of way. As such, it is not subject to CON Section review under N.C. Gen. Stat. § 131E-176(16)u.

Nor does any other section of the CON Statute require CON Section review of this project. Mission is currently licensed for forty-four (44) operating rooms and after the completion of the J-OR Project, Mission will still have the same number of operating rooms. Likewise, Mission's current complement of licensed and approved acute care beds is not impacted by and will not increase as a result of the J-OR Project.

The Equipment To Be Acquired And Installed As Part Of The J-OR Project Does Not Constitute Major Medical Equipment Under The CON Statute

The J-OR Project includes the acquisition of certain medical equipment needed to make the two new replacement operating rooms functional. Much of the equipment contained in the existing operating rooms at the St. Joseph Building has reached the end of its useful life, although some moveable equipment will

Martha Frisone
January 9, 2019
Page 5

be transferred to the two new operating rooms. With respect to certain other equipment, such as fixed ceiling-mounted booms, it is simply not practical to remove those from the existing operating rooms and re-install them in the replacement operating rooms.

The CON Statute treats as a "new institutional health service" requiring a CON the acquisition of major medical equipment. N.C. Gen. Stat. § 131E-176(16)p. Major medical equipment is defined as "a single unit or single system of components with related functions which is used to provide medical and other health services and which costs more than seven hundred fifty thousand dollars ("750,000)." N.C. Gen. Stat. 131E-176(14o).

Mission's J-OR Project does not involve the acquisition of medical equipment which meets the definition of "major medical equipment" under the CON Statute. The total equipment budget for the J-OR Project is approximately \$951,000.00. See Attachment 3 (capital cost worksheet showing line items for fixed and moveable equipment purchases for both operating rooms). The equipment covered by that projected expenditure is spread over the two operating rooms and consists of items such as cameras and related support equipment, scrub sinks, infusion pumps, overhead lighting, anesthesia monitors, carts, instrument tables, stools, shelving, cabinets and similar items. The total equipment cost of approximately \$951,000.00 is spread roughly evenly between the two operating rooms, meaning that the equipment costs for each operating room are approximately \$475,000.00. No single item or single system of components in either of the two operating rooms comes anywhere close to the \$750,000.00 major medical equipment threshold in terms of cost.

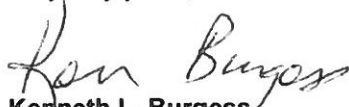
Also, the J-OR Project does not include the acquisition of any of the major medical equipment designated at N.C. Gen. Stat. § 131E-176(16)f1 which would require Mission to obtain a CON before acquiring the equipment.

Conclusion

For the reasons recited herein, the J-OR Project qualifies under the exemption from CON Section review set forth at N.C. Gen. Stat. § 131E-184(g). Please allow this letter to serve as the advance written notice required by N.C. Gen. Stat. § 131E-184(g). We would appreciate the CON Section acknowledging at its earliest opportunity that Mission's J-OR Project, as described herein, is not subject to CON Section Review and that Mission may proceed with the project without first obtaining a CON.

Please let me know if you have questions or need further information regarding this notice.

Very truly yours,


Kenneth L. Burgess
Partner

cc: Sonya Greck
Toby Kay
Garrett Schreffler

Attachments

ATTACHMENT 1



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

Pat McCrory
Governor

Aldona Z. Wos, M.D.
Ambassador (Ret.)
Secretary DHHS

Drexdal Pratt
Division Director

June 19, 2014

Brian D. Moore
509 Biltmore Avenue
Asheville, NC 28801

Exempt from Review

Facility: Mission Hospital, Inc.
Project Description: Renovate and consolidate services and expand the central energy plant
County: Buncombe
FID #: 943349

Dear Mr. Moore:

In response to your letters of February 19, 2014, and June 2, 2014, the above referenced proposal is exempt from certificate of need review in accordance with G.S. 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 Construction and Acute and Home Care Licensure and Certification Sections of the Division of Health Service Regulation 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 Certificate of Need Section. 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.

If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,

Julie Halatek
Project Analyst

Martha J. Frisone, Interim Chief
Certificate of Need Section

cc: Medical Facilities Planning Branch, DHSR
Construction Section, DHSR
Acute and Home Care Licensure and Certification Section, DHSR
Certificate of Need Section



www.ncdhhs.gov
Telephone: 919-855-3873 • Fax: 919-733-8139
Location: Edgerton Building • 809 Ruggles Drive • Raleigh, NC 27603
Mailing Address: 2704 Mail Service Center • Raleigh, NC 27699-2704
An Equal Opportunity/ Affirmative Action Employer

February 19, 2014



Martha Frisone, Interim Chief
Certificate of Need Section
Division of Health Service Regulation
NC Department of Health and Human Services
2704 Mail Service Center
Raleigh, North Carolina 27699-2704

Re: Renovation, redesign and consolidation of services and expansion of the central energy plant on the Mission Hospital, Inc. main campus

Dear Ms. Frisone:

This letter provides prior written notice of Mission's intention to pursue a major renovation and expansion project on its main campus under the exemption provisions in N.C. Gen. Stat. § 131E-184(g). The sole purpose of Mission's project is to renovate, replace on the same site and expand its existing health service facility that is located on the main campus. The project does not include any change in bed capacity, the addition of a health service facility or any other new institutional health service other than a capital expenditure in excess of two million dollars. If, in the future, Mission should consider any new institutional health service, it will do so as a separate project and pursue appropriate approvals from the Certificate of Need Section.

The reason for this major renovation and expansion is that sections of the St. Joseph building are approximately 30-50 years old and not configured in accordance with current clinical inpatient norms. The age and structure of the St. Joseph building are such that it would not be as effective from a cost or design standpoint to attempt to renovate the existing structure. Furthermore, there is currently duplication in the Memorial and St. Joseph buildings of certain services, such as lab, imaging and space for surgeries and procedural interventions. This separation and duplication detracts from effective patient flow, efficient operations and patient satisfaction. Mission currently physically moves about 11,000 patients per year between the two major buildings on its main campus, which is costly, raises the need to safeguard against potential safety considerations and is not as comfortable for the patient as being able to move within the same or joined structures on the same side of the campus.

Many clinical spaces are not well suited to today's current health care equipment and treatment modalities. Numerous patient rooms are small and not configured in accordance with current thinking on appropriate patient room space for delivery of patient care. It is also difficult to make ongoing technological improvements in the St. Joseph building due to the need for certain ceiling clearances, floor supports and space size to accommodate new technology. Due to the mountainous topography and the space constrained campus, it is necessary to reconfigure and more efficiently and effectively utilize existing land on the main campus to enhance clinical services, efficiency of operations and patient satisfaction.

The following table outlines the details of this request along with the associated reference. Pertinent supporting documentation is attached.

	Proposal	Criteria/Law	Supporting Documentation
1.	Consolidate inpatient health care services on the Memorial building side of the main campus and repurpose buildings on the St. Joseph side of the main campus for outpatient or non-health care purposes.	<ol style="list-style-type: none"> 1. Renovate licensed health facility on main campus. G.S. 131E-184(g) 2. Renovate non-health care space on main campus. G.S. 131E-184 (g) 	<ol style="list-style-type: none"> 1. Names, role descriptions of administrative and financial leadership, and floor plan with office locations. (<i>attachments 1 & 2</i>) 2. Letter from Certificate of Need Section verifying single campus. (<i>attachment 3</i>)
2.	Develop approximately 600,000 to 700,000 square feet of new space, expanding the Memorial building on the main campus.	Expand existing health service on main campus. G.S. 131E-184(g)	N/A. Not a new institutional health service.
3.	Reconfigure existing space.	<ol style="list-style-type: none"> 1. Renovate on the same main campus. G.S. 131E-184(g) 2. Capital expenditure does not result in the addition of new institutional health services. G.S. 131E-176(16) and 184(g) 	<ol style="list-style-type: none"> 1. Site plan (<i>attachment 4</i>) 2. N/A. Not a new institutional health service.
4.	Renovate space in the Mission and St. Joseph buildings vacated by reconfiguration of services on the main campus.	<ol style="list-style-type: none"> 1. Renovate on the same site within the meaning of G.S. 131E-184(g) 2. Capital expenditure does not result in the addition of new institutional health services within the meaning of G.S. 131E-184(g) 	N/A. Not a new institutional health service.
5.	Expand the central energy plant to support the new building area.	Exempt under G.S. 131E-184(a)(4) and 184(g).	N/A. Not a new institutional health service.
6.	Demolish existing parking deck and two administrative buildings to allow space for construction of new square feet.	Exempt under G.S. 131E-184(a)(4) and 184(g)	N/A. Not a new institutional health service.
7.	Will have no more than 733 licensed acute care beds	Does not result in a change of bed capacity within the	1. License renewal application. (<i>attachment 5</i>)

	before and after completion of this project as shown on the current license.	meaning of G.S. 131E-176 (5) and 176(16)(c)	2. CON #B-8637-11 (attachment 6)
8.	Mission Hospital will have no more than 47 operating rooms before and after completion of this project as shown on the current license.	Does not result in the addition of a new institutional health service within the meaning of G.S. 131E-176(16)(u) and (v)	License renewal application. (attachment 5)
9.	Mission Hospital will have no more than 6 endoscopy procedure rooms before and after this project as shown on the current license.	Does not result in the addition of a new institutional health service within the meaning of G.S. 131E-176(16)(u) and (v)	License renewal application. (attachment 5)
10.	Provide prior written notice.	This letter serves as prior written notice under G.S. 131E-184(a) and (g)	

If Mission identifies the need to replace any existing major medical equipment, it will submit in the future separate notices to address why such replacement equipment is exempt. This proposal and notice includes any replacement needed of equipment that either is not major medical equipment under the CON law or is non-health care equipment.

Based on the information in this letter and the attached documentation, we look forward to receiving your letter confirming that Mission Hospital's renovation project is exempt from certificate of need review pursuant to N.C. Gen. Stat. § 131E-184(g). Please let us know if you have any questions or need additional information. We look forward to hearing from you in the near future.

Sincerely,

BRIAN D. MOORE, DIRECTOR, PUBLIC
POLICY AND GOVERNMENT RELATIONS



Brian D. Moore

Enclosures
cc: Toby Kay



June 2, 2014



Via E-Mail

Julie Halatek, Project Analyst
Certificate of Need Section
Division of Health Service Regulation
North Carolina Department of Health
and Human Services
2704 Mail Service Center
Raleigh, NC 27699-2704

Re: **Information Request Related to Notice of Exemption Pursuant to G.S.**

131E-184(g)

Facility: Mission Hospital

Project Description: Renovate and consolidate services and expand the central energy plant

FID #: 943349

County: Buncombe

Dear Ms. Halatek:

We have received your letter dated May 9, 2014 requesting additional information related to Mission Hospital's notice of exemption for its project to renovate and consolidate services as well as expand its central energy plant on its main campus. I am writing to re-confirm the assurances you have requested:

1. The project will not result in the offering of health services that are not currently provided. Mission Hospital plans to provide in the renovated space the same range of services that it is currently providing, and the project does not involve the development or offering of any new health services.

2. The project does not involve the acquisition of additional units of major medical equipment. Existing units of major medical equipment may be moved, but we are not planning with this project to add any units of major medical equipment. If we identify through further planning that replacement equipment is needed, we would send a separate notice regarding any replacement equipment.

3. This project will not result in an increase in the number of beds, operating rooms, or gastrointestinal endoscopy rooms. We are renovating and relocating space for beds, operating rooms, and gastrointestinal endoscopy rooms, but we are not adding any new beds, operating rooms, or gastrointestinal endoscopy rooms.

4. This project does not involve an increase the number of ICU beds.

Please let us know if you need any additional information. We look forward to receiving as soon as possible the CON Section's response to our February 19, 2014 exemption notice as supplemented by this letter.

Sincerely,

BRIAN D MOORE, DIRECTOR, PUBLIC
POLICY AND GOVERNMENTAL RELATIONS



Brian D. Moore

ATTACHMENT 2



NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**

ROY COOPER • Governor

MANDY COHEN, MD, MPH • Secretary

MARK PAYNE • Director, Division of Health Service Regulation

June 4, 2018

Kenneth L. Burgess
301 Fayetteville Street, Suite 1900
Raleigh, NC 26701

Exempt from Review

Record #: 2593
Facility Name: Mission Hospital
FID #: 943349
Business Name: Mission Health System, Inc.
Business #: 1234
Description: Clarification of a previous exemption request (exemption issued June 19, 2014) to renovate and consolidate services and expand the energy plant in multiple phases
County: Buncombe

Dear Mr. Burgess:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letter of May 23, 2018, 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.

NC DEPARTMENT OF HEALTH AND HUMAN SERVICES • DIVISION OF HEALTH SERVICE REGULATION

LOCATION: 809 Ruggles Drive, Edgerton Building, Raleigh, NC 27603
MAILING ADDRESS: 809 Ruggles Drive, 2701 Mail Service Center, Raleigh, NC 27699-2701
www.ncdhhs.gov/dhsr • TEL: 919-856-3750 • FAX: 919-733-2757

AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

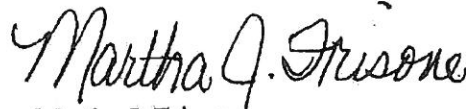
Kenneth L. Burgess
June 4, 2018
Page 2

If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,



Julie M. Faenza
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
Amy Craddock, Assistant Chief, Healthcare Planning, DHSR

May 23, 2018

Kenneth L. Burgess
Partner
D: 919.783.2917
F: 252.972.7045
kburgess@poynerspruill.com

VIA HAND-DELIVERY AND U.S. MAIL

Martha Frisone, Chief
Julie Faenza, Project Analyst
Healthcare Planning and Certificate of Need Section
N.C. Department of Health and Human Services
809 Ruggles Drive
Raleigh, N.C. 27603

RE: Request for Clarification Regarding Notice of Exemption For Mission Hospital, Inc.

Dear Martha and Julie:

I am writing on behalf of our client, Mission Hospital, Inc. ("Mission"), located in Asheville, North Carolina, Facility I.D. No. 943349, to request clarification of a Notice of Exemption issued by the N.C. Department of Health and Human Services, Division of Health Service Regulation, Healthcare Planning and Certificate of Need Section ("CON Section"), dated June 19, 2014, in which the CON Section confirmed that Mission's plans to undertake a major renovation, redesign and consolidation of services, and expansion of the central energy plant on the Mission main campus, involving the hospital's two main structures (the main hospital and the St. Joseph building) ("the Project") was exempt from Certificate of Need ("CON") review pursuant to N.C. Gen. Stat. section 131E-184(g).

For your convenience, I have attached copies of our client's Notice of Exemption¹ from CON review, dated February 19, 2014; our client's supplementary filing, dated June 2, 2014; and the CON Section's confirmation of the exempt status of the Project, dated June 19, 2014. See Attachments 1 (Mission's original Notice of Exemption); 2 (Mission's supplementary filing responding to a request for further information by the CON Section); and 3 (the CON Section's confirmation of the exempt status of the Project).

Mission's original Notice of Exemption set forth in great detail the various elements of the Project, including the development of approximately 600,000 to 700,000 square feet of new space adjacent to the main hospital and the subsequent renovation and reconfiguration of the St. Joseph's facility. That Notice further confirmed that the Project did not involve the addition of new services, the acquisition of new equipment, the development of additional operation rooms, gastrointestinal rooms or acute care beds, or any other items or services beyond what the hospital was currently licensed for that would constitute "new institutional health services" requiring a certificate of need ("CON") within the meaning of N.C. Gen. Stat. section 131E-176(16). Inherent in Mission's description of the Project was the fact that development of the Project would occur in stages necessitated by the construction of new space at the main hospital, the relocation of certain services from the St. Joseph's building to the newly-constructed space, and the subsequent renovation and reconfiguration of existing space at the St. Joseph's facility. All of the representations contained in Mission's Notice of Exemption dated February 19, 2014 and Mission's supplemental filing dated June 2, 2014 remain true and accurate.

¹ We have not included the numerous attachments to Mission's original Notice of Exemption but are happy to provide those if needed.

Martha Frisone
May 23, 2018
Page 2

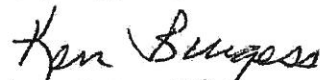
The Project is now well under way in terms of development and has been for some time ("Phase I"). Completion of Phase I is estimated to occur by August or September of 2019. Because the configuration and completion of Phase II of the Project is dependent upon the completion of Phase I, planning for Phase II of the Project is expected to occur in late 2019 or early 2020, with actual construction of Phase II following soon thereafter. All of this is consistent with Mission's original Notice of Exemption and supplemental filing.

As work continues on the Project, we have been speaking with officials of the N.C. Department of Health and Human Services, Division of Health Service Regulation, Construction Section, including discussing the development of the Project in stages which is necessary, as described above, because the Project involves the construction of new space, the relocation of certain services from existing space at the St. Joseph's facility to that new space, and the renovation and reconfiguration of space at the St. Joseph's facility. During our discussion with officials from the Construction Section, they have recommended that we seek confirmation from the CON Section that this staged development of the Project is consistent with the CON Section's June 19, 2014 Exemption Notice, which is attached as Attachment 3 to this correspondence, just to avoid any confusion when Construction Section inspectors begin to inspect and license Phase I of the Project.

As stated herein, Mission is not adding as part of the Project any equipment, services or spaces beyond what it was licensed for at the time Mission filed its original Notice of Exemption in 2014 that would require CON review or approval. Any changes in Mission's services, equipment or spaces since that time have all been authorized either by the issuance of a CON or a Notice of Exemption or No Review Letter by the CON Section. However, Mission wishes to ensure that all of the equipment, services and spaces it was licensed for at the time it filed its Notice of Exemption remain intact in terms of licensure during the two-phased development and implementation of the Project. The purpose of this correspondence is to obtain that assurance and to confirm for the Construction Section that Mission's staged development and implementation of the Project is consistent with the CON Section's Exemption Notice for the Project dated June 19, 2014.

As such, we would appreciate the CON Section's written confirmation that staged development and implementation of the Project is consistent with the Agency's June 19, 2014 Exemption Notice. Please let me know if you have questions about this correspondence or need additional information. We appreciate your prompt response to this request.

Very truly yours,



Kenneth L. Burgess
Partner

cc: Sonya Greck
Don Esposito, Esq.

Attachments

ATTACHMENT 3

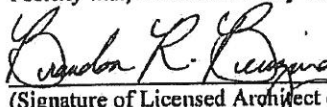
PROJECTED CAPITAL COST

Project Name: **J-OR 15 & 16**


Proponent: **Mission Hospital**

A. Site Costs			
(1)	Full purchase price of land		\$ _____
	Acres _____ Price per Acre	\$ _____	
(2)	Closing costs		\$ _____
(3)	Site Inspection and Survey		\$ _____
(4)	Legal fees and subsoil investigation.		\$ _____
(5) Site Preparation Costs			
	Soil Borings	\$ _____	
	Clearing-Earthwork	\$ _____	
	Fine Grade For Slab	\$ _____	
	Roads-Paving	\$ _____	
	Concrete Sidewalks	\$ _____	
	Water and Sewer	\$ _____	
	Footing Excavation	\$ _____	
	Footing Backfill	\$ _____	
	Termite Treatment	\$ _____	
	Other (Specify)	\$ _____	
	Sub-Total Site Preparation Costs		\$ _____
(6)	Other (Specify)		\$ _____
(7)	Sub-Total Site Costs		\$ _____
B. Construction Contract			
(8)	Cost of Materials		
	General Requirements	\$834,600	
	Concrete/Masonry	\$ _____	
	Doors & Windows/Finishes	\$ _____	
	Thermal & Moisture Protection	\$ _____	
	Equipment/Specialty Items	\$ _____	
	Mechanical/Electrical	\$ _____	
	Other (Specify)	\$ _____	
	Sub-Total Cost of Materials		\$834,600
(9)	Cost of Labor		\$556,400
(10)	Other (Specify)		\$34,300
(11)	Sub-Total Construction Contract		\$1,425,300
C. Miscellaneous Project Costs			
(12)	Building Purchase		\$ _____
(13)	Fixed Equipment Purchase/Lease		\$572,280
(14)	Movable Equipment Purchase/Lease		\$378,720
(15)	Furniture		\$5,000
(16)	Landscaping		\$ _____
(17) Consultant Fees			
	Architect and Engineering Fees	\$146,000	
	Legal Fees	\$ _____	
	Market Analysis	\$ _____	
	Other (Specify)	\$34,000	
	Sub-Total Consultant Fees		\$180,000
(18)	Financing Costs (e.g. Bond, Loan, etc.)		\$ _____
(19)	Interest During Construction		\$ _____
(20)	Other (contingency)		\$138,700
(21)	Sub-Total Miscellaneous		\$1,274,700
D.	Total Capital Cost of Project		\$2,700,000

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

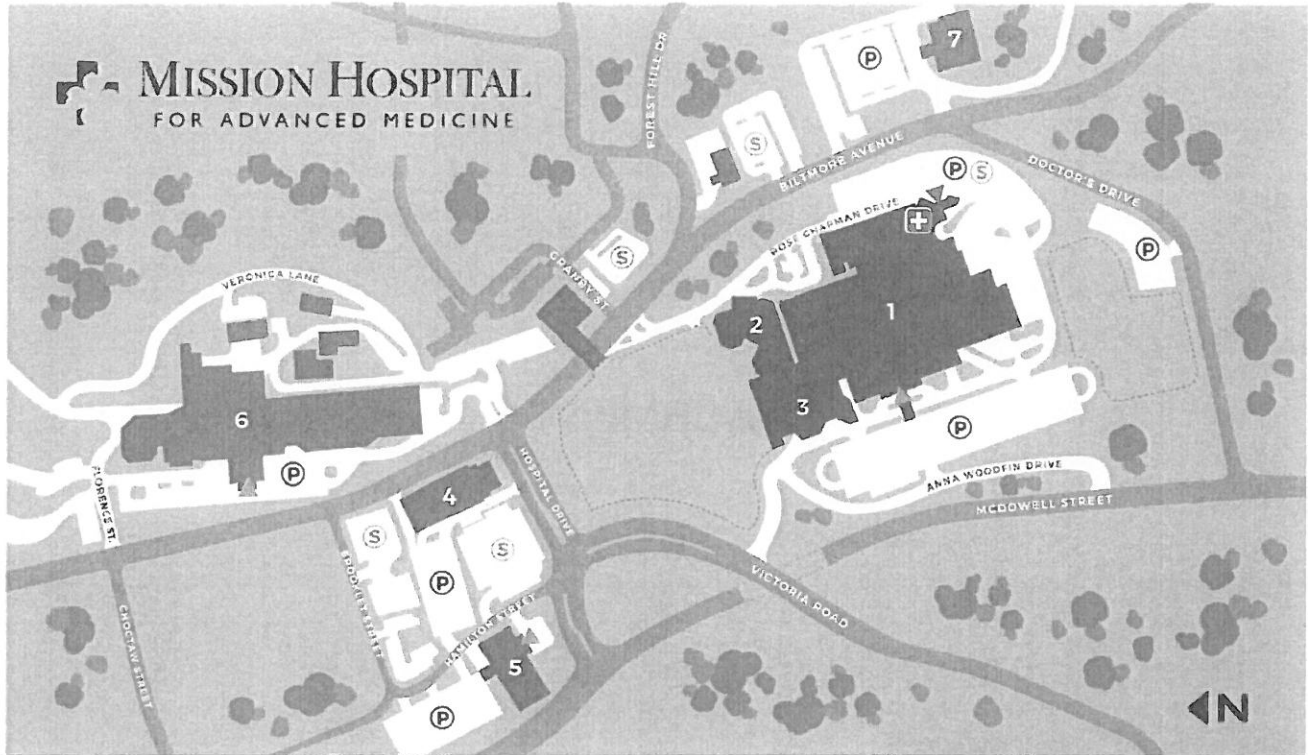
 **Brandon Benzing, AIA**
 McMillan Pazdan Smith Architecture Date Certified: 2018-12-20
 (Signature of Licensed Architect or Engineer)

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.

 **DIRECTOR, FACILITY PLANNING,
DESIGN & CONSTRUCTION** Date Signed: 12.21.2018
 (Proponent - Signature of Officer) (Title of Officer)

Effective: 5/16/06

ATTACHMENT 4



LEGEND

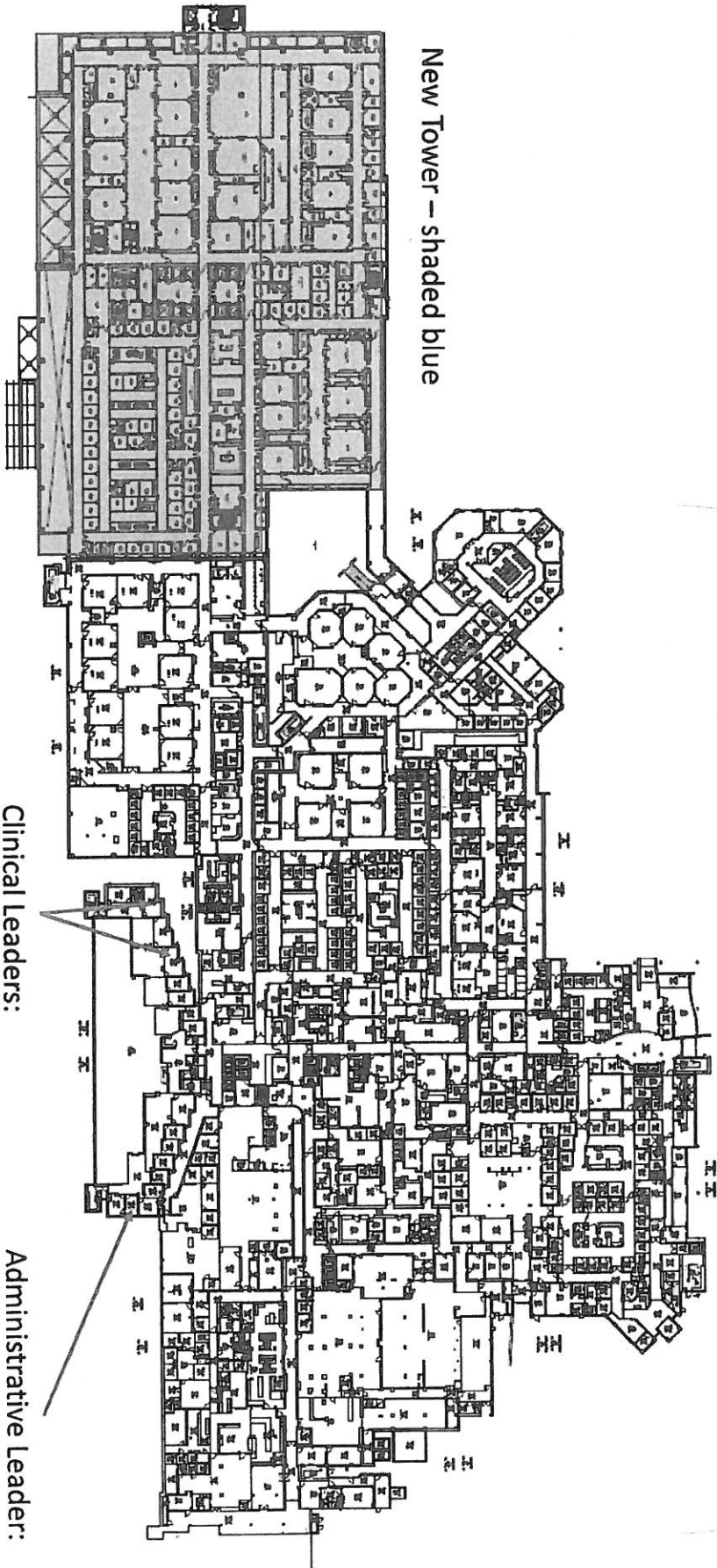
-  Main Hospital
-  Mission Health Facility
-  Main Entrance
-  Visitor Parking
-  Staff Parking
-  Emergency Department

FACILITIES

- | | |
|------------------------------|--|
| 1 Memorial Campus | 5 SECU Cancer Center |
| 2 Owen Heart Center | 6 St. Joseph Campus |
| 3 Outpatient Services | 7 Mission Imaging and Breast Center |
| 4 1 Hospital Drive | |



ATTACHMENT 5



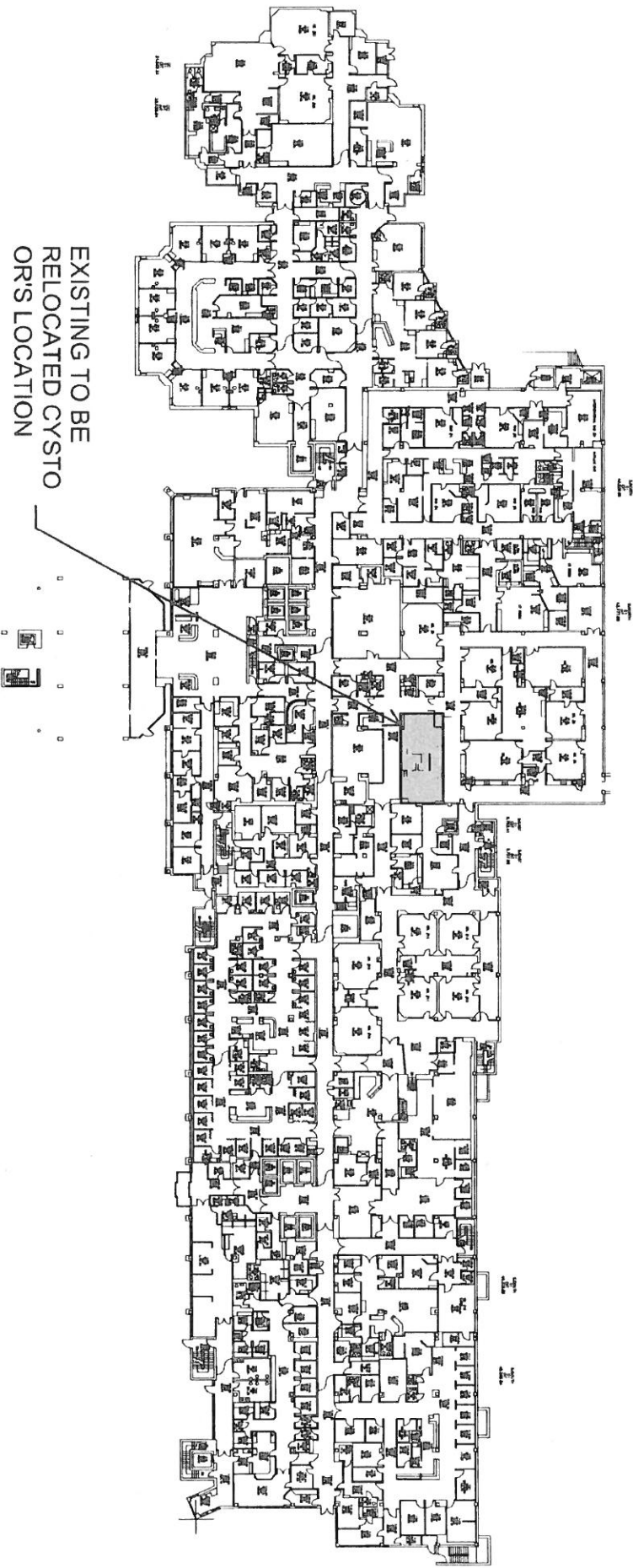
New Tower — shaded blue

Existing Campus — unshaded

Clinical Leaders:
Ruth Zyry, COO
Karen Olsen, CNO

Administrative Leader:
Jill Hoggard Green,
President

ATTACHMENT 6



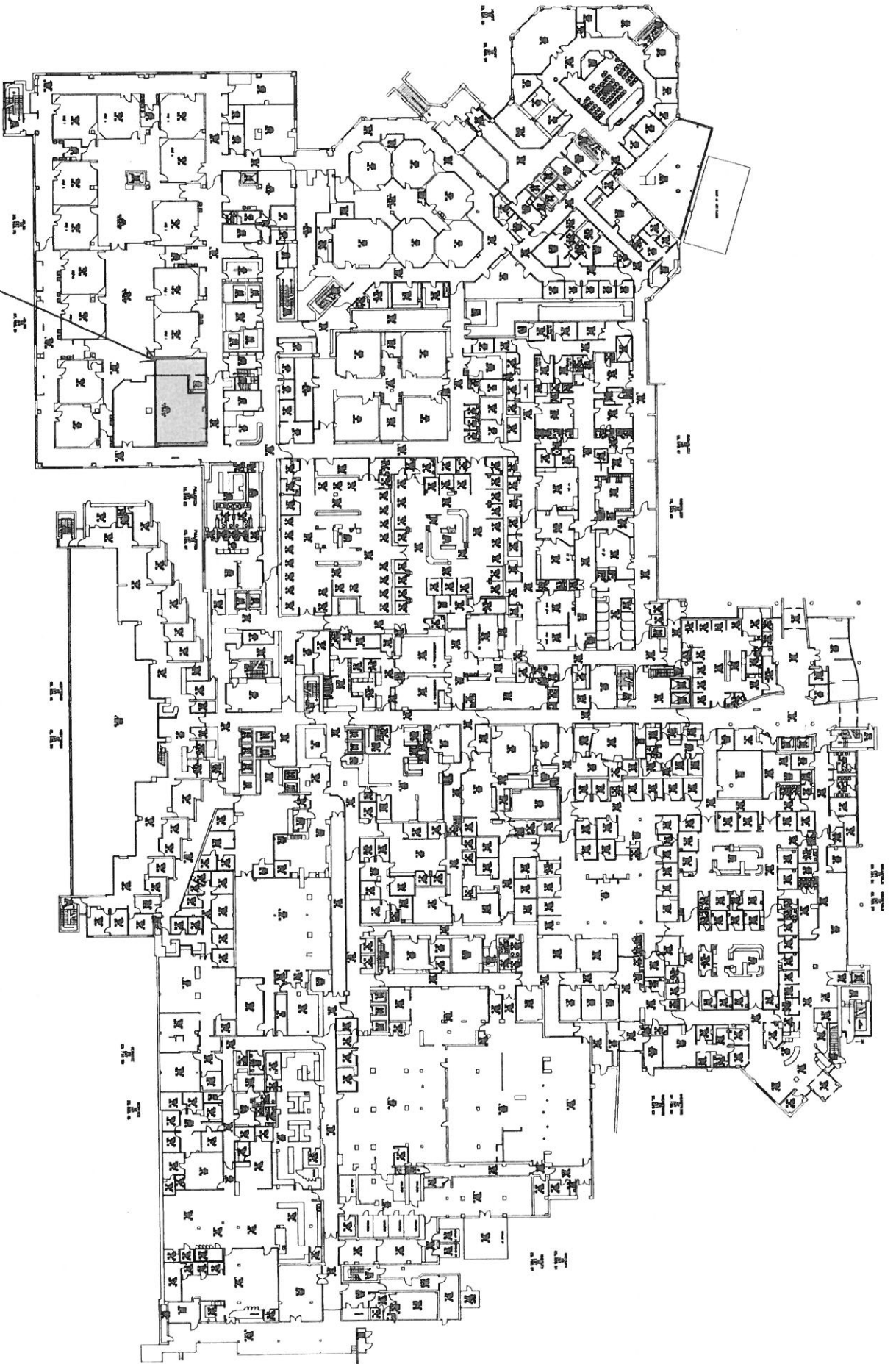
EXISTING TO BE
RELOCATED CYSTO
ORS LOCATION

MISSION ST. JOSEPH HOSPITAL

1ST FLOOR

DRAWING NOT TO SCALE

ATTACHMENT 7



PROPOSED OR 15
AND 16 LOCATION

MISSION MEMORIAL MAIN HOSPITAL

2ND FLOOR

DRAWING NOT TO SCALE

ATTACHMENT 8



September 11, 2009

Lee B. Hoffman, Chief
Certificate of Need Section
Division of Health Service Regulation
North Carolina Department of Health
and Human Services
2704 Mail Service Center
Raleigh, North Carolina 27699-2704

RE: Mission Hospital Letter of Non Review: Relocation of an OR from the St. Joseph's building to a current GYN procedure room in the Memorial building

Dear Ms. Hoffman:

Mission Hospital ("Mission") submits this letter as prior written notice that it plans to relocate an OR currently located in the St. Joseph's building to a current GYN procedure room in the Memorial building. The Memorial building and the St. Joseph's building are located on the same campus as defined within the meaning of N.C.G.S. 131E-176 (2c) "adjacent grounds and buildings not separated by more than one public right-of-way" and therefore not subject to CON review. In an email correspondence Lee Hoffman noted, "Because St. Joseph and Mission are a single licensed hospital that are located on a single campus (i.e. grounds that are adjacent and not separated by more than one public right of way) operating rooms may be moved between buildings on this campus that are licensed as part of Mission Hospital without a CON if the cost of the project is less than \$2 million."

Construction for this project is due to begin October, 2009 and will be completed November 30, 2009. Upon completion of this project, the space once occupied by OR 5 in the St. Joseph's building will be used to expand the existing sterile core. Expansion of the sterile core will provide a more centrally located area for all sterile supplies. Currently, surgical supplies in the St. Joseph's building are located in two separate areas and need to be combined. In addition, relocating an OR from the St. Joseph's building to the Memorial building will result in improved efficiencies associated with redundant staffing and costs within Mission's surgical services. Having an additional OR in the Women's services department will provide space where emergent and urgent surgeries for pregnant patients, elective C-Sections and elective GYN cases can be performed all in one area. This will also provide a more family oriented area for delivering mothers and their personal support. Having an additional OR room in Women's Services will allow GYN/OB cases to be performed closer to Labor and Delivery keeping surgeons within close proximity to other laboring patients. In addition, supplies are currently located in three different areas in the Memorial building to accommodate Women's surgical services which are, at times, performed on a separate floor. If Women's surgical services are in the same area staffing will be more consistent thus saving on excesses of staffing three different areas. See attached floor plans of the current location of OR 5 in the St. Joseph's building along with the floor plan of the new OR location in Women's Services at the Memorial building. The

procedure room in the Memorial building will not be relocated. The procedure room will be upgraded to an OR once OR 5 has been relocated.

Relocating the OR from St. Joseph's building to the Memorial building will not increase the total number of licensed OR's at Mission Hospital. The proposed changes would not involve the acquisition of any major medical equipment or equipment otherwise covered under the CON Act. Please see the table on the next page for a breakout of the original and proposed OR's in the St. Joseph's and Memorial buildings.

Pre New OBGYN 3rd OR and Decommissioning of SJOR 5

Type of Operating Room	Memorial Hospital	St. Joseph's Hospital	Asheville Surgery Center	Total
Dedicated Open Heart Surgery	6	0	0	6
Other Dedicated Inpatient Surgery*	15	2	0	17
Dedicated Ambulatory Surgery	0	4	9	13
Shared-Inpatient/Ambulatory Surgery	2	9	0	11
Total Operating Rooms	23	15	9	(47)

Post New OBGYN 3rd OR and Decommissioning of SJOR 5

Type of Operating Room	Memorial Hospital	St. Joseph's Hospital	Asheville Surgery Center	Total
Dedicated Open Heart Surgery	6	0	0	6
Other Dedicated Inpatient Surgery*	15	2	0	17
Dedicated Ambulatory Surgery	0	4	9	13
Shared-Inpatient/Ambulatory Surgery	3	8	0	11
Total Operating Rooms	24	14	9	47

Mission seeks confirmation that the replacement of the GYN procedure room does not constitute a new institutional health service subject to CON review within the meaning of NCGS 131E-176 (16)(b). The North Carolina law defining those services which require a CON contains no provisions applicable to the proposed project. The definition of "new institutional health services" requiring a CON which potentially could apply to the proposed project is "The obligation by any person of a capital expenditure exceeding two million dollars (\$2,000,000) to develop or expand a health service or a health service facility. This project will cost \$332,000 to complete including construction, equipment, and contingency. These costs are only for the upgrade of the procedure room to an OR. The procedure room located in the Memorial building will not be relocated. There will be no additional costs associated with expansion of the sterile core in the St. Joseph's building. The OR is located currently located in the same area as the sterile core. See the attached drawings of the current location of OR 5 in the St. Joseph's building. A projected capital cost verification form signed by the architect, Steven Bowers of Bowers, Ellis and Watson Architects, PA, is attached.

We look forward to receiving your letter confirming that Mission's relocation of an existing OR from the St. Joseph's building to the Memorial Building on the same campus. All components are exempt from certificate of need review pursuant to N.C. Gen. Stat. § NCGS 131B-176 (16)(b). Please contact me at (828) 213-3509 if there is any additional information I can provide to facilitate your review of this request.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Moore".

Brian Moore
Director of Strategic Planning



North Carolina Department of Health and Human Services
Division of Health Service Regulation
Certificate of Need Section
2704 Mail Service Center ■ Raleigh, North Carolina 27699-2704

Beverly Eaves Perdue, Governor
Lanier M. Cansler, Secretary

www.ncdhs.gov/dhsr

Lee Hoffman, Section Chief
Phone: 919-855-3873
Fax: 919-733-8139

September 30, 2009

Brian Moore
Director of Strategic Planning
Mission Hospitals
509 Biltmore Avenue
Asheville, NC
28801

RE: No Review/ Mission Hospitals/ Relocation of one OR from the St. Joseph Building to a Procedure Room in the Memorial Building/ Buncombe County
FID #943349


Dear Mr. Moore:

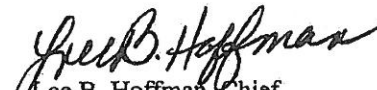
The Certificate of Need (CON) Section received your letter of September 11, 2009 regarding the above referenced proposal. Based on the CON law **in effect on the date of this response to your request**, the proposal described in your correspondence is not governed by, and therefore, does not currently require a certificate of need. However, please note that if the CON law is subsequently amended such that the above referenced proposal would require a certificate of need, this determination does not authorize you to proceed to develop the above referenced proposal when the new law becomes effective.

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 Certificate of Need Section. 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.

In addition, you should contact the Construction Section, DHSR to determine if they have any requirements for development of the proposed project. Please contact the CON Section if you have any questions. Also, in all future correspondence you should reference the Facility I.D.# (FID) if the facility is licensed.

Sincerely,


Paula Quirin,
Project Analyst


Lee B. Hoffman, Chief
Certificate of Need Section

cc: Construction Section, DHSR



Location: 701 Barbour Drive ■ Dorothea Dix Hospital Campus ■ Raleigh, N.C. 27603
An Equal Opportunity / Affirmative Action Employer



ATTACHMENT 9



DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF HEALTH SERVICE REGULATION

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

MARK PAYNE
DIRECTOR

VIA EMAIL ONLY

March 26, 2018

Lynn S. Pitman
North Carolina Baptist Hospital
lpitman@wakehealth.edu

Exemption from Review - Pursuant to G.S. 131E-184(g)

Record #: 2550
Facility Name: North Carolina Baptist Hospital
FID #: 943495
Business Name: North Carolina Baptist Hospitals
Business #: 1819
Project Description: Construction of new patient services building on the NCBH Main Campus to accommodate ED, surgical services, 38 ORs and recovery space, 28-bed ICU, and mechanical space
County: Forsyth

Dear Ms. Pitman:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letter of March 15, 2018 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

HEALTHCARE PLANNING AND CERTIFICATE OF NEED SECTION
WWW.NCDHHS.GOV

TELEPHONE 919-855-3873

LOCATION: EDGERTON BUILDING • 809 RUGGLES DRIVE • RALEIGH, NC 27603

MAILING ADDRESS: 2704 MAIL SERVICE CENTER • RALEIGH, NC 27699-2704

AN EQUAL OPPORTUNITY/ AFFIRMATIVE ACTION EMPLOYER

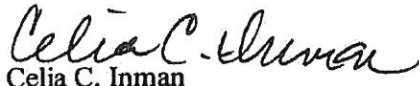



Ms. Pitman
Page 2
March 26, 2018

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.

If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,


Celia C. Inman
Project Analyst


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

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

March 15, 2018

Ms. Martha Frisone, Chief
Ms. Celia Inman, Project Analyst
Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation
2704 Mail Service Center
Raleigh, NC 27699-2704



Re: Request for Confirmation of Exemption for North Carolina Baptist Hospital (FID # 943495) for Construction of New Patient Services Building on the NCBH Campus

Dear Ms. Frisone and Ms. Inman,

Pursuant to N.C.G.S. § 131E-184(g), Exemptions from Certificate of Need Review, I am writing to request confirmation that the project described below for North Carolina Baptist Hospital ("NCBH") is exempt from review.

NCBH intends to demolish Parking Deck B due to age and weakening of the structure. This post tension deck has deteriorated over the years to the point at which that top level can no longer be used for parking. Parking Deck B is centrally located on the NCBH campus; therefore, in its place a new patient services building is planned for construction. Please see Exhibit 1 for a NCBH campus map. The new patient services building will total approximately 260,000 square feet and encompass seven levels.¹ The planned services for each level are as follows:

- Level 1: Expansion of the Emergency Department
- Level 2: Surgical Services Waiting, Prep & Post
- Level 3: 20 Operating Rooms ("OR")
- Level 4: Mechanical Floor
- Level 5: 18 ORs and Recovery Space
- Level 6: 28-Bed ICU
- Level 7: Mechanical Floor

The 38 operating rooms planned for levels three and five of the new patient services building will be relocated from their existing location on the 1st floor of Ardmore Tower. The 28 ICU beds planned for the 6th floor of the patient services tower will be relocated from 5th Floor North Tower. The vacated spaces on the 1st floor of Ardmore Tower and the 5th floor of North Tower will be decommissioned, with future use of the locations to be determined.

NCBH believes this project is exempt from review, as described below. Pursuant to N.C.G.S. § 131E-184(g),

"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 NCBH intends to replace Parking Deck B with a new deck on another part of the hospital campus. NCBH is still in the process of determining where on the campus to locate that parking deck. Once that determination is made, NCBH will submit additional correspondence to the CON Section seeking exemption for that parking deck from CON review under N.C.G.S. § 131E-184.

- (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 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 development of the new patient services building has the sole purpose of renovating, replacing on the same site, and expanding a portion of an existing health service facility that is located on the main campus of NCBH. No new institutional health services will be developed. NCBH is licensed for 40 ORs and 802 general acute care beds. This project includes the relocation of 38 ORs from the 1st floor of Ardmore Tower and 28 acute care beds from 5th floor of North Tower to the new patient services building. The vacated spaces will be decommissioned, with future use of those locations to be determined at a later date. The new patient services tower will contain 38 relocated ORs and 28 relocated ICU beds. Two ORs will remain on the 1st floor of Ardmore Tower.

Further, all of the proposed relocated services will remain on the main campus. Pursuant to N.C.G.S. § 131E-176(14n),

"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.*

NCBH is a licensed health service facility that provides clinical and patient services. The NCBH campus is located at Medical Center Blvd, Winston-Salem, NC 27127. Financial and administrative control over NCBH is administered by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), whose offices are located within the NCBH campus on Medical Center Blvd. The new patient services building will be located in space currently occupied by Parking Deck B. The ORs that will be relocated to the new patient services building will be relocated from the 1st floor of Ardmore Tower. The ICU beds that will be relocated to the new building will be relocated from the 5th floor of North Tower. The offices of the CEO and the CFO are located on the 10th floor of Janeway Tower. Please see Exhibit 1 which includes an NCBH campus map and denotes the location of the office of the CEO and CFO as well as the location of Parking Deck B, Ardmore Tower, and North Tower.

The proposed project also does not result in a change in bed capacity as defined in G.S. 131E-176(5) nor in the addition of a health service facility or any other new institutional health service other than that allowed in G.S. 131E-176(16)b.

N.C.G.S. 131E-176(5) defines change in bed capacity as

- (i) any relocation of health service facility beds, or dialysis stations from one licensed facility or campus to another, or (ii) any redistribution of health service facility bed capacity among the categories of health service facility bed as defined in G.S. 131E-176(9c), or (iii) any increase in the number of health service facility beds, or dialysis stations in kidney disease treatment centers, including freestanding dialysis units.*

N.C.G.S. § 131E-176(16)u. describes the services related to ORs and gastrointestinal endoscopy rooms which constitute new institutional health services:

The construction, development, establishment, increase in the number, or relocation of an operating room or gastrointestinal endoscopy room in a licensed health service facility, other than the relocation of an operating room or gastrointestinal endoscopy room within the same building or on the same grounds or to grounds not

separated by more than a public right-of-way adjacent to the grounds where the operating room or gastrointestinal endoscopy room is currently located.

The project includes relocation of ORs and general acute beds from the 1st floor of Ardmore Tower and the 5th floor of North Tower to a new patient services building to be constructed in the location of the existing Parking Deck B. The general acute care beds will not be relocated from one facility or campus to another, will not be redistributed among the categories defined in N.C.G.S. 131E-176(9c), and will not be increased. The ORs will be not be increased in number or relocated to a new facility. Both the ORs and general acute care beds will be relocated to a new tower to be constructed on the same grounds as their existing locations.

NCBH is licensed for a total of 40 ORs and 802 general acute care beds and is not proposing additional ORs or general acute care beds as part of this project. Please Exhibit 2 for NCBH's license.

The only other possible new institutional health service which could be applicable to this project is major medical equipment (see N.C.G.S. § 131E-176(16)p.), which is defined in N.C.G.S. § 131E-176 (14o) as


a single unit or single system of components with related functions which is used to provide medical and other health services and which costs more than seven hundred fifty thousand dollars (\$750,000). In determining whether the major medical equipment costs more than seven hundred fifty thousand dollars (\$750,000), the costs of the equipment, studies, surveys, designs, plans, working drawings, specifications, construction, installation, and other activities essential to acquiring and making operational the major medical equipment shall be included. The capital expenditure for the equipment shall be deemed to be the fair market value of the equipment or the cost of the equipment, whichever is greater. Major medical equipment does not include replacement equipment as defined in this section.

NCBH does not intend to purchase any single piece of equipment which costs more than \$750,000, including surveys, designs, plans, working drawings, specifications, construction, installation, and other activities essential to acquiring and making operational the medical equipment for this project.

NCBH respectfully requests that the CON Section confirm that, based on the facts stated above as well as the information included in the Exhibits, the above-described project meets all of the exemption criteria in N.C.G.S. § 131E-184(g).

Please let me know if you have any questions or if additional information is needed.

Sincerely,



Lynn S. Pitman, MHA
Associate Vice President
Clinical Operations and Space Optimization

INDEX OF EXHIBITS

1. NCBH Campus Map
2. NCBH License

State of North Carolina

Department of Health and Human Services
Division of Health Service Regulation

*Effective January 01, 2018, this license is issued to
North Carolina Baptist Hospital
to operate a hospital known as
North Carolina Baptist Hospital
located in Winston Salem, North Carolina, Forsyth 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: 943495
License Number: H0011**

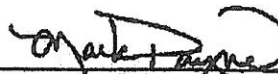
Bed Capacity: 885
General Acute 802, Rehabilitation 39, Psych 44.

Dedicated Inpatient Surgical Operating Rooms: 4
Dedicated Ambulatory Surgical Operating Rooms: 0
Shared Surgical Operating Rooms: 38
Dedicated Endoscopy Rooms: 10

Authorized by:



Secretary, N.C. Department of Health and
Human Services



Director, Division of Health Service Regulation

Exhibit 1: NCBH Campus Map

