



NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**

ROY COOPER • Governor

MANDY COHEN, MD, MPH • Secretary

MARK PAYNE • Director, Division of Health Service Regulation

VIA EMAIL ONLY

October 19, 2021

Gary S. Qualls

Gary.qualls@klgates.com

Exempt from Review

Record #: 3692

Date of Request: September 30, 2021

Facility Name: Cape Fear Valley Medical Center

FID #: 110422

Business Name: Cape Fear Valley Health System

Business #: 335

Project Description: Construct a 7th floor on the main hospital campus on Owen Drive in Fayetteville to include relocated ICU beds and unlicensed observation beds and develop a helicopter pad on the 7th floor roof

County: Cumberland

Dear Mr. Qualls:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that 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.

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

HEALTHCARE PLANNING AND CERTIFICATE OF NEED SECTION

LOCATION: 809 Ruggles Drive, Edgerton Building, Raleigh, NC 27603

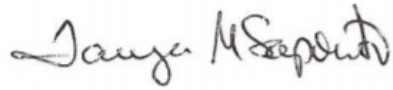
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AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

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

Sincerely,

Handwritten signature of Tanya M. Saporito in cursive.

Tanya M. Saporito
Project Analyst

Handwritten signature of Micheala Mitchell in cursive.

Micheala Mitchell
Chief

cc: Construction Section, DHSR
Acute and Home Care Licensure and Certification Section, DHSR



Gary S. Qualls
D 919.466.1182
F 919.516.2072
gary.qualls@klgates.com

September 30, 2021

Via E-Mail

Micheala Mitchell, Chief
Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation
N.C. Department of Health and Human Services
809 Ruggles Drive
Raleigh, NC 27603

RE: Material Compliance Request regarding Cape Fear Valley's Implementation of 45 Remaining CON-Approved Acute Care Beds at Main Campus Rather Than Cape Fear North Campus (Project I.D. M-8689-11) and Main Campus Exemption Project

Dear Ms. Mitchell:

We are filing this Material Compliance Request and Exemption Notice on behalf of our client, Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System ("Cape Fear") with the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Healthcare Planning and Certificate of Need Section (the "Agency").

Specifically, Cape Fear requests two separate approvals:

1. **Material Compliance Request:** Cape Fear requests a material compliance approval for Cape Fear to develop the remaining parts of the "Cape Fear North" CON Project, Project I.D. No. M-8689-11 (including 45 beds) on a new Floor 6 on Cape Fear's Main Campus rather than at the originally proposed Cape Fear North location.

2. **Exemption Notice:** Cape Fear separately requests a main campus exemption notice to:
 - a. construct a Floor 7 on Cape Fear's Main Campus to include: (1) the relocation of ICU beds within the Main Campus Building; and (2) additional unlicensed observation beds; and
 - b. develop a helicopter pad on the roof above the new Floor 7.

I. Material Compliance Request To Develop 45 Remaining Cape Fear North CON Beds In Floor 6 on Main Campus.

Cape Fear received a certificate of need ("CON") to develop a satellite hospital that includes, among other things, 65 acute care beds,¹ Project I.D. No. M-8689-11 ("Cape Fear North"). By a Material Compliance Approval Letter dated January 22, 2021 (attached as Exhibit 2), this Agency approved Cape Fear to permanently develop 20 of the 65 acute care beds approved for Cape Fear North at Cape Fear's Main Campus on Owen Drive, Fayetteville.

Now, Cape Fear wishes to permanently develop the remaining 45 of the 65 acute care beds approved for Cape Fear North at Cape Fear's Main Campus as well.² Specifically, Cape Fear plans to add a Floor 6 to the existing Main Campus bed tower to house the 45 acute care beds as well as three (3) observation beds also originally proposed for Cape Fear North. The Floor 6 floor plan drawing is attached as Exhibit 3. An external view rendering (Exhibit 4) shows Floor 6 as it will appear on top of the existing Main Campus Bed Tower.³

Total capital costs associated with Floor 6 are projected to be \$46 Million (with \$32 Million projected in hard constructions costs and another \$14 Million in soft costs for design, permitting, testing, surveys, DHSR review, equipment, security, and contingency line items). All of these costs would be reported as capital costs associated with the Cape Fear North CON and would be measured against that capital cost threshold of \$87,332,825.

¹ The two (2) operating rooms proposed for Cape Fear North were proposed to be relocated from Cape Fear's Highsmith-Rainey Specialty Hospital. See Exhibit 1 (excerpts from Cape Fear North CON Application). Thus, under this proposal, those operating rooms would simply remain at their current location as a result of the Cape Fear North Campus no longer being developed.

² Because all 65 beds would now be developed on the Main Campus, Cape Fear would no longer plan to temporarily use 20 of those 45 remaining Cape Fear North acute care beds in space currently housed by 20 of Cape Fear's 78 Rehab Beds (the "Temporary Bed Project") per the Agency's "Prior Material Compliance Approval" Letter dated May 9, 2019 of Cape Fear's May 1, 2019 Material Compliance Request. That Temporary Bed Project and the associated Prior Material Compliance Approval would be rendered moot by this approval.

³ The Exhibit 4 rendering also shows the proposed new Floor 7, which is separately discussed in the Exemption Notice portion of this letter.

The most recent Cape Fear North Progress Report shows that only \$5,133,589 has been expended on developing the 20 Cape Fear North beds on the Main Campus. See Exhibit 5. Given the projected \$46 Million to develop the remaining 45 beds at the Main Campus, Cape Fear expects to develop all 65 beds at the Main Campus for well under the \$87 Million Cape Fear North CON cost threshold allotted for the 65 beds.

Since Cape Fear received the 2012 Cape Fear North CON, the acute care bed landscape under Cape Fear's control has changed, causing Cape Fear to reassess how many beds are needed in northern Cumberland County. In 2014, Cape Fear began managing Harnett Health. Harnett Health is comprised of two Harnett County hospitals, Central Harnett Hospital in Lillington and Betsy Johnson Hospital in Dunn. Cape Fear North would be geographically between Cape Fear's Main Campus and the two Harnett Health hospitals. Most specifically, Cape Fear North was to be situated on Highway 401, between Cape Fear's Main Campus and Central Harnett Hospital in Lillington. That changing dynamic drove Cape Fear to develop the first 20 Cape Fear North beds at the Cape Fear's Main Campus instead. See Exhibit 2.

On August 31, 2021, Cape Fear acquired Harnett Health. Thus, Cape Fear's management of these Harnett Health assets has now transitioned to complete ownership of those assets. Now, those same geographic distribution considerations articulated above -- that supported the initial downsizing of Cape Fear North -- also support developing the other 45 Cape Fear North beds at Cape Fear's Main Campus in order to most efficiently manage bed need in the greater service area that comprises Cumberland and Harnett Counties.

Historical and imminent demand supports operationalizing these 45 beds at Cape Fear's Main Campus. The draft 2022 SMFP projects a need for 29 more acute care beds in Cumberland County, generated by Cape Fear's acute care bed volume. Even more Cumberland County bed need is expected to be generated in the 2023 SMFP. Further, for ten years, Cape Fear has continuously obtained temporary bed capacity approvals pursuant to the Licensure Rule at 10A NCAC 13B.3111. Additionally, the COVID-19 Pandemic has exacerbated the need for additional bed capacity.

Moreover, nothing about this current Request will affect Cape Fear's ability to materially comply with any material representations in the Cape Fear North Project CON Application or the CON conditions placed on the Cape Fear North Project. See N.C. Gen. Stat. §§ 131E-181(a) and (b) and 131E-189(b). In all material respects, the operations of the 45 beds at Cape Fear's Main Campus will be similar to the Cape Fear North Project CON Application and in compliance with the CON issued in response to that Application.

We therefore ask the Agency to verify that the foregoing proposed changes to the Cape Fear North Project materially comply with the representations in the Cape Fear North Project Application, and that such modifications are not subject to additional CON review.

II. Main Campus Exemption Notice for Main Campus Floor 7 and Helicopter Pad.

Pursuant to N.C. Gen. Stat. § 131E-184(g), Cape Fear gives this prior written notice of a proposed exempt project. As you know, Cape Fear is a licensed hospital and is thus an existing “health service facility” under the CON Law. See N.C. Gen. Stat. § 131E-176(9b). This Exempt Project entails adding a new Floor 7 to Cape Fear’s Main Campus Bed Tower and an air ambulance helicopter pad on the roof above Floor 7 (the “Exempt Project”). The Floor 7 floor plan drawing is attached as Exhibit 6.

This Floor 7 will be added immediately above the Floor 6 proposed in the material compliance request portion of this letter. As explained in Part I above, the capital costs associated with the Floor 6 will be allocated to the Cape Fear North CON cost threshold because the Floor 6 beds were originally proposed for the Cape Fear North CON Project. In contrast, the capital costs for the Exempt Project are exempt costs because they involve only expansion of the Main Campus Building to: (a) relocate existing Main Campus acute care beds; (b) develop unlicensed observation beds; and (c) develop a helicopter air ambulance pad.

A. Exemption Provisions

This Exempt Project falls within the “Main Campus Exemption Provisions” in N.C. Gen. Stat. § 131E-184(g)(1)-(3). The Main Campus Exemption Provisions provide as follows:

- (g) The Department shall exempt from the certificate of need review and 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 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 written notice to the Department along with supporting documentation to demonstrate that it meets the exemption criteria of this subsection.

For purposes of the foregoing Main Campus Exemption Provisions in Section 131E-184(g), the term “main campus” is defined in N.C. Gen. Stat. § 131E-176(14n) as follows:

(14n) "Main campus" means all of the following for the purpose 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.

B. The Exempt Project

The Exempt Project involves two parts, Floor 7 and the air ambulance helicopter pad on top of Floor 7.

1. Exempt Floor 7

Floor 7 will be developed to house:

- a. 22 acute care ICU beds (relocated from Floor 3 in the same Main Campus Bed Tower); and
- b. 24 unlicensed observations beds (for additional observation bed capacity).

See Exhibit 6.

The capital expenditures for the Floor 7 renovations are projected to be \$51.1 Million, thus triggering the exemption analysis under N.C. Gen. Stat. § 131E-184(g).

2. Exempt Helicopter Pad

The other exempt component is an air ambulance helicopter pad, which Cape Fear will construct above Floor 7, on the roof of the Main Campus Bed Tower. The capital expenditures for the helicopter pad are projected to be \$2.9 Million.

3. Exempt Project Analysis

Clinical patient services, financial control, and administrative control of Cape Fear are provided in the same Main Campus Hospital Building as the exempt renovations. Only existing health services currently offered at Cape Fear will be provided as a result of this Exempt Project. In accordance with Section 131E-184(g)(2), the Exempt Project's capital expenditures will "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 other than that allowed in G.S. 131E-176(16)b." No new operating rooms will be developed and no major medical equipment will be acquired as a result of this Exempt Project.

Based on the foregoing information, Cape Fear requests that the Agency provide a written response confirming that Cape Fear's Floor 7 and helicopter pad construction projects are exempt from certificate of need review.

III. Conclusion.

Therefore, Cape Fear requests the following from the Agency:

1. A material compliance approval for Cape Fear to develop the remaining parts of the Cape Fear North CON Project on a new Floor 6 on Cape Fear's Main Campus rather than at the originally proposed Cape Fear North location; and
2. Confirmation that the following project is exempt under the CON statute's main campus exemption provisions:
 - a. the construction of a Floor 7 on Cape Fear's Main Campus to include relocated ICU beds and additional unlicensed observation beds; and
 - b. the development of a helicopter pad on the roof above the new Floor 7.

Thank you for your assistance in regard to this matter. If you have any questions or need further information, please feel free to contact me at the number above.

Sincerely,



Gary S. Qualls

Exhibits

1. Cape Fear North CON Application Excerpts
2. Agency's Material Compliance Approval Letter dated January 22, 2021 and associated Request dated January 5, 2021
3. Floor 6 floor plan drawing
4. External View Rendering of New Floors on top of Main Campus Existing South Bed Tower
5. Cape Fear North Progress Report dated September 30, 2021
6. Floor 7 floor plan drawing

Exhibit 1

CAPE FEAR VALLEY NORTH HOSPITAL

4. Name of Lessor (If applicable):

N/A

(Street & Number)

(City)

(State)

(Zip)

5. Name of Lessee: (If applicable) (Attach copy of lease agreement)

N/A

(Street & Number)

(City)

(State)

(Zip)

6. Name of Management Company: (If applicable) (Attach copy of management contract)

N/A

(Street & Number)

(City)

(State)

(Zip)

7. Name of existing/proposed facility

Cumberland County Hospital System, Inc. d/b/a/ Cape Fear Valley North Hospital (herein referred to as "CFV North")

(Name of Facility)

Cumberland

(County)

6387 Ramsey Street

(Street & Number)

Fayetteville

(City)

NC

(State)

28311

(Zip)

CAPE FEAR VALLEY NORTH HOSPITAL

8. Provide a brief project description to identify the basic components of the project including the bed complement and proposed levels of care. This should be a one sentence description for identification purposes only.

Cumberland County Hospital System, Inc., d/b/a Cape Fear Valley Medical Center plans to build a 65-bed satellite acute care community hospital, CFV North, in Cumberland County that will include 65 licensed acute care beds, 7 observation beds, an emergency department, 2 shared surgical operating rooms, all necessary inpatient and outpatient ancillary programs, and customary support service. The Board of Trustees approved submission of this CON on May 25, 2011. See Exhibit 2.

9. Indicate the type of Construction or Change in Service: (Check the appropriate boxes)

- | | | |
|-----|-------------------------------------|--|
| a) | <input checked="" type="checkbox"/> | New Facility or Service |
| (b) | <input type="checkbox"/> | Total Replacement of Existing Facility |
| (c) | <input type="checkbox"/> | Renovation or Modernization |
| (d) | <input checked="" type="checkbox"/> | Expansion or Reduction of Services |
| (e) | <input type="checkbox"/> | Medical Equipment |
| (f) | <input checked="" type="checkbox"/> | Change in Bed Capacity |
- | | | |
|----|-----------------------------------|--|
| 1. | <input type="text" value="65"/> | Number of Beds to be Added |
| 2. | <input type="text"/> | Number of Beds to be Deleted |
| 3. | <input type="text" value="490"/> | <u>Total Number of Beds Currently Licensed (by licensure category)</u> |
| 4. | <input type="text" value="*596"/> | Total Numbers of Beds to Be Licensed After Project Completion |
| 5. | <input type="text" value="490"/> | Total Beds Currently Operational |

*Current Licensed Bed Complement	490
Approved for Hoke Community Medical Center N-8499-10 ¹	41
This Project Application	<u>65</u>
TOTAL	<u>596</u>

Please note that pursuant to N.C.G.S 131E-83, the Division of Health Service Regulation granted approval for a 60 day temporary increase for Cape Fear Valley Medical Center to temporarily increase their licensed bed capacity by 10% or 49 additional beds as a result of increased utilization on March 3, 2011. The Division of Health Service Regulation granted a second 60 day approval for a temporary increase of 49 additional beds on May 2, 2011. Documentation of these transactions is included in Exhibit 6.

¹ Initially Approved as CON Project M-7093-04 and M-7436-05 (Cost Overrun)

The need for the proposed CFV North, a new community hospital, is substantiated by these strategic efforts. The proposed location in northern Cumberland County will expand access to the residents of north Cumberland County while decompressing congestion on the Owen Drive campus of Cape Fear Valley Medical Center.

CFV North will be licensed under the existing North Carolina acute care hospital license of Cape Fear Valley Medical Center. At completion of this project, Cape Fear Valley Medical Center will include two inpatient locations and Cape Fear Valley Health System will expand to five acute care bed locations as reflected in the following table.

**Cape Fear Valley Health System
Proposed Acute Care Bed Capacity**

Proposed, Licensed and CON Approved Acute Care Bed Capacity			
	CON Licensed and Approved Acute Care Beds	Proposed Beds	Total Proposed, Licensed and CON Approved Bed Capacity
Cape Fear Valley Medical Center	490	0	490
Cape Fear Valley Medical Center - CFV North	0	65	65
Hoke Community Medical Center*	41	0	41
Bladen County Hospital	48	0	48
Highsmith-Rainey Specialty Hospital (LTACH)	66	0	66
Total System Acute Care Beds	645	65	710

Source: 2011 LRAs; Project I.D. # N-8499-10

*Reflects the acute care bed changes approved in Project I.D. # N-8499-10 and those proposed in this Application

Surgical services will be provided at all five licensed acute care hospitals under the Cape Fear Valley Health System umbrella upon completion of the project as reflected in the following table.

**Cape Fear Valley Health System
Current and Proposed Surgical Capacity**

	Current CON Licensed and Approved Operating Rooms**	Proposed Change in Operating Rooms	Total Proposed, Licensed and CON Approved Bed Capacity
Cape Fear Valley Medical Center	18		18
Cape Fear Valley Medical Center - CFV North	0	2	2
Highsmith-Rainey Specialty Hospital (LTACH)	3	-2	1
Hoke Community Medical Center*	3		3
Bladen County Hospital	2		2
Total System Acute Care Beds	26	0	26

Source: 2011 LRAs; Project I.D. # N-8499-10

*Reflects the OR changes approved in Project I.D. # N-8499-10 and those proposed in this Application

**Includes Open Heart and C-Section ORs

Exhibit 2



NC DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER • Governor
MANDY COHEN, MD, MPH • Secretary
MARK PAYNE • Director, Division of Health Service Regulation

VIA EMAIL ONLY

January 22, 2021

Gary S. Qualls
K & L Gates
Gary.qualls@klgates.com



Material Compliance Approval

Project ID #: M-8689-11
Facility: Cape Fear Valley Medical Center
Project Description: Construct a satellite hospital campus with 65 acute care beds, 7 observation beds, two operating rooms, 24-hour emergency services, diagnostic imaging, laboratory and pharmacy services to be known as Cape Fear North
County: Cumberland
FID #: 110422

Dear Mr. Qualls:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) has determined that the proposed change is in material compliance with representations made in the application. These changes include permanently developing 20 of the 65 acute care beds previously approved for Cape Fear North pursuant to Project ID# M-8689-11 at the Cape Fear Main Campus. The 45 remaining acute care beds will still be developed at Cape Fear North, as previously approved. This request does not withdraw or impact the previous Material Compliance approval dated May 9, 2019 which permits temporarily placing 20 acute care beds in rehabilitation space on the main campus. It should be noted that the Agency's position is based solely on the facts represented by you and that any change in facts as represented would require further consideration by this office and a separate determination.

If you have any questions concerning this matter, please feel free to contact this office. Please refer to the Project ID # and Facility ID # (FID) in all correspondence.

Sincerely,

[Handwritten signature of Tanya M. Saporito]

Tanya M. Saporito
Project Analyst

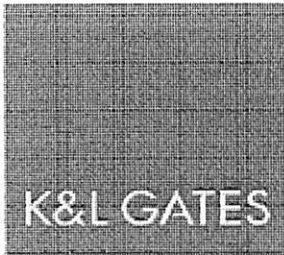
[Handwritten signature of Lisa Pittman]

Lisa Pittman
Assistant Chief, Certificate of Need

cc: Construction Section, DHSR

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
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https://info.ncdhhs.gov/dhsr/ • TEL: 919-855-3873



Gary S. Qualls
D 919.466.1182
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gary.qualls@klgates.com

January 5, 2021

Via E-Mail to Martha.waller@dhhs.nc.gov

Martha J. Frisone, Chief
Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation
N.C. Department of Health and Human Services
809 Ruggles Drive
Raleigh, NC 27603

RE: Material Compliance Request regarding Cape Fear Valley's Permanent Use of 20 CON-Approved Acute Care Beds at Main Campus Rather Than Development at Cape Fear North Campus (Project I.D. M-8689-11, Cumberland County)

Dear Ms. Frisone:

We are filing this Material Compliance Request on behalf of our client, Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System ("Cape Fear") with the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Healthcare Planning and Certificate of Need Section (the "Agency"). Cape Fear received a certificate of need ("CON") to develop a satellite hospital which includes, among other things, 65 acute care beds, Project I.D. No. M-8689-11 ("Cape Fear North").

This Request asks permission to permanently develop 20 of the 65 acute care beds approved for Cape Fear North at Cape Fear's Main Campus on Owen Drive, Fayetteville. This Request does not withdraw or impact the "Temporary Bed Project" approved by the Agency on May 9, 2019, which permits temporarily placing 20 acute care beds in rehabilitation bed ("Rehab Bed") space.

K&L GATES LLP
POST OFFICE BOX 14210 RESEARCH TRIANGLE PARK NC 27709-4210 430 DAVIS DRIVE SUITE 400 MORRISVILLE NC 27560
T +1 919 466 1190 F +1 919 831 7040 klgates.com

This Request asks permission to permanently develop 20 of the 65 acute care beds approved for Cape Fear North at Cape Fear's Main Campus on Owen Drive, Fayetteville. Therefore, if this Material Compliance Request is granted, the 65 beds approved for the Cape Fear North Project would be developed as follows:

1. 20 of the 65 approved acute care beds will be developed on Floor 4 North on the Main Campus;
2. The remaining 45 acute care beds originally proposed for Cape Fear North will still be developed as part of the Cape Fear North Project, together with all of its remaining features; and
3. While the 45-bed Cape Fear North Project is being developed, Cape Fear still wishes to temporarily use 20 of those 45 remaining Cape Fear North acute care beds in space currently housed by 20 of Cape Fear's 78 Rehab Beds (the "Temporary Bed Project") (per the Agency's "Prior Material Compliance Approval" Letter dated May 9, 2019 [Exhibit 1] of Cape Fear's May 1, 2019 Material Compliance Request [Exhibit 2]. That Temporary Bed Project and the associated Prior Material Compliance Approval are not impacted by this current Request.¹

This request seeks the Agency's confirmation that the proposed modifications to the Cape Fear North Project described herein materially complies with the representations in the Cape Fear North Project Application, and that such modifications are not subject to CON review.

¹ The 20 permanent beds to be developed on Floor 4 North on the Main Campus are separate and apart from the 20 beds that will comprise the Temporary Bed Project. Therefore, once the Cape Fear North Project is developed:

1. 20 of the original Cape Fear North-approved 65 beds will be permanently developed on the Main Campus per this current Request;
2. Thus 45 acute care beds will be eventually developed at Cape Fear North as a downsized version of the originally approved 65-bed Cape Fear North Project;
3. Pending Cape Fear North development, 20 of those 45 remaining eventual Cape Fear North beds will be temporarily used for the Main Campus Temporary Bed Project in Rehab Bed Space (per the Agency's May 9, 2019 Material Compliance Approval); and
4. Per the May 9, 2019 Approval, Cape Fear will resume operations of the 20 Rehab Beds once the 45 acute care beds are licensed at Cape Fear North.

Martha J. Frisone, Chief
January 5, 2021
Page 3

Cape Fear anticipates that the capital costs to permanently place 20 of the 65 Cape Fear North-approved acute care beds on Floor 4 North on the Main Campus will be \$5,300,161. See Exhibit 3 (Capital Cost Estimate for 20 Permanent Main Campus Beds). Those capital costs will be conservatively counted toward the Cape Fear North Project and reported in future Cape Fear North Progress Reports. Likewise, the line drawing floor plans in Exhibit 4 show where those 20 beds will be placed on Floor 4 North. See Exhibit 4 (Line Drawing Floor Plans for 20 Permanent Main Campus Beds). Finally, Exhibit 5 is the Timetable for the 20 Permanent Main Campus Beds.

Since Cape Fear received the Cape Fear North CON on June 5, 2012, the acute care bed landscape under Cape Fear's control has changed, causing Cape Fear to reassess how many beds are needed in northern Cumberland County. In 2014, Cape Fear began managing Harnett Health. Harnett Health is comprised of two hospitals in Harnett County, Central Harnett Hospital in Lillington and Betsy Johnson Hospital in Dunn. Cape Fear North will be constructed geographically in between Cape Fear's Main Campus and the two Cape Fear-managed Harnett Health hospitals. Most specifically, Cape Fear North is situated on Highway 401, in between Cape Fear's Main Campus and Central Harnett Hospital in Lillington. Thus, a 20-bed reduction in Cape Fear North makes sense to most efficiently manage bed need in the greater service area that comprises Cumberland and Harnett Counties.

Moreover, nothing about this current Request will affect Cape Fear's ability to materially comply with any material representations in the Cape Fear North Project CON Application or the CON conditions placed on the Cape Fear North Project. See N.C. Gen. Stat. §§ 131E-181(a) and (b) and 131E-189(b). In all material respects, the operations of the Cape Fear North Project will be similar to the Cape Fear North Project CON Application and in compliance with the CON issued in response to that Application.

We therefore ask the Agency to verify that the foregoing proposed changes to the Cape Fear North Project materially comply with the representations in the Cape Fear North Project Application, and that such modifications are not subject to additional CON review.

Thank you for your assistance in regard to this matter. If you have any questions or need further information, please feel free to contact me at the number above.

Sincerely,

/s/ Gary S. Qualls

Gary S. Qualls

Exhibits

1. The Agency's Prior Material Compliance Approval Letter dated May 9, 2019, Approving the Temporary Bed Project
2. Cape Fear's May 1, 2019 Material Compliance Request Regarding the Temporary Bed Project
3. Capital Cost Estimate for Permanent Main Campus Beds
4. Line Drawing Floor Plans for 20 Permanent Main Campus Beds
5. Timetable for 20 Permanent Main Campus Beds

Exhibit 1



NC DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER • Governor
MANDY COHEN, MD, MPH • Secretary
MARK PAYNE • Director, Division of Health Service Regulation



May 9, 2019

Gary Qualls
430 Davis Drive
Suite 400
Morrisville, NC 27560

Material Compliance Approval

Project ID #: M-8689-11
Facility: Cape Fear Valley Medical Center
Project Description: Construct a satellite hospital campus with 65 acute care beds, 7 observation beds, two operating rooms, 24-hour emergency services, diagnostic imaging, laboratory and pharmacy services to be known as Cape Fear North
County: Cumberland
FID #: 110422

Dear Mr. Qualls:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) has determined that the change proposed in your letter of May 1, 2019 is in material compliance with representations made in the application. These changes include renovating existing space that currently houses 20 of the 78 rehab beds in the main hospital to temporarily develop 20 of the 65 acute care beds to be developed at Cape Fear North. These 20 acute care beds will still be developed along with the remaining 45 acute care beds pursuant to the certificate of need and the rehab bed space will again be utilized for rehab beds. However, you should contact the Agency's Acute and Home Care Licensure and Certification and Construction Sections to determine if they have any requirements pertinent to the proposed change.

It should be noted that the Agency's position is based solely on the facts represented by you and that any change in facts as represented would require further consideration by this office and a separate determination.

If you have any questions concerning this matter, please feel free to contact this office. Please refer to the Project ID # and Facility ID # (FID) in all correspondence.

Sincerely,

Tanya M. Saporito
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

NC DEPARTMENT OF HEALTH AND HUMAN SERVICES • DIVISION OF HEALTH SERVICE REGULATION
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AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

Exhibit 2

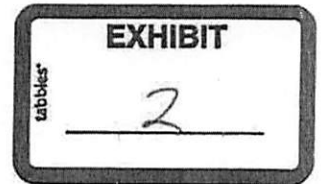
K&L GATES

May 1, 2019

Via Hand Delivery

Martha J. Frisone, Chief
Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation
N.C. Department of Health and Human Services
809 Ruggles Drive
Raleigh, NC 27603

Gary S. Qualls
D 919.466.1182
F 919.516.2182
gary.qualls@klgates.com



RE: Material Compliance Request regarding Cape Fear Valley's Temporary Use of CON-Approved Acute Care Beds at Main Campus Pending Development of Cape Fear North (Project I.D. M-8689-11, Cumberland County)

Dear Ms. Frisone:

We are filing this Material Compliance Request on behalf of our client, Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System ("Cape Fear") with the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Healthcare Planning and Certificate of Need Section (the "Agency"). Cape Fear received a certificate of need ("CON") to develop a satellite hospital which includes, among other things, 65 acute care beds, Project I.D. No. M-8689-11 ("Cape Fear North"). Cape Fear is also licensed for 78 licensed inpatient rehabilitation beds ("Rehab Beds"), located on the first floor of Cape Fear's main campus.

Cape Fear still plans to develop Cape Fear North, and has filed recent progress reports to that effect, explaining how other projects have strategically interposed and preceded Cape Fear North's development. See Exhibit 1 (Progress Report dated February 1, 2019). However, in the interim, Cape Fear would like to develop 20 of the 65 approved Cape Fear North acute care beds in space currently housed by 20 of Cape Fear's 78 Rehab Beds (the "Temporary Bed Project"). See Exhibits 2 and 3 (Floor Plans showing current Rehab Bed spaces and proposed temporary acute care bed spaces) and Exhibit 4 (showing room walls to be added to create semi-private rooms). This request seeks the Agency's confirmation that the proposed modifications to the Cape Fear North Project described herein materially comply with the representations in the Cape Fear North Project Application, and that such modifications are not subject to CON review.

Martha J. Frisone, Chief
May 1, 2019
Page 2

This Temporary Bed Project will not be a permanent measure. Therefore, once the Cape Fear North Project is developed:

1. these 20 acute care beds will be developed along with the other 45 acute care beds at Cape Fear North as part of that 65-bed project; and
2. Cape Fear will resume operations of the 20 Rehab Beds.

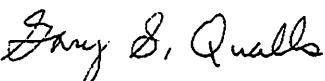
The Licensure and Certification Section's Azzie Conley has confirmed that all 78 Rehab Beds may remain licensed during this temporary Rehab Bed disuse. Given Ms. Conley's confirmation on this point, the Temporary Bed Project should not impair Cape Fear's CON rights to resume operation of all 78 Rehab Beds after conclusion of the Temporary Bed Project.

Moreover, nothing about the Temporary Bed Project will affect Cape Fear's ability to materially comply with any material representations in the Cape Fear North Project CON Application or the CON conditions placed on the Cape Fear North Project. See N.C. Gen. Stat. §§ 131E-181(a) and (b) and 131E-189(b). In all material respects, the operations of the Cape Fear North Project will be similar to Cape Fear North Project CON Application and in compliance with this issued CON.

The renovations shown in Exhibit 4 will create semi-private rooms. The cost of such renovations is projected to be approximately \$300,000. However, these renovations are not exclusively for the Temporary Bed Project. Rather, when the 20 Rehab Beds are placed back into service -- upon completion of the Cape Fear North Project -- these renovations will benefit the 20 Rehab Beds and overall rehab unit as well. Thus, such renovations should be treated as exempt main campus capital costs under N.C. Gen. Stat. §§ 131E-176(14n) and 131E-184(g), making the cost irrelevant.

We therefore ask the Agency to verify that the foregoing proposed changes to the Cape Fear North Project materially comply with the representations in the Cape Fear North Project Application, and that such modifications are not subject to CON review. Thank you for your assistance in regard to this matter. If you have any questions or need further information, please feel free to contact me at the number above.

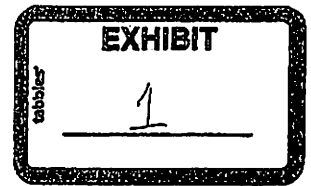
Sincerely,


Gary S. Qualls

Martha J. Frisone, Chief
May 1, 2019
Page 3

Exhibits

1. Cape Fear North Progress Report dated February 1, 2019
2. Floor Plans showing the 20 current Rehab Bed spaces impacted
3. Floor Plans showing larger floor plan of the 20 current Rehab Bed spaces impacted
4. Floor Plans showing walls being added to create semi-private rooms



**CERTIFICATE OF NEED
PROGRESS REPORT FORM**

County: Cumberland
Facility: Cape Fear Valley Medical Center
Project I.D. #: M-8689-11

Date of Progress Report: 2/01/2019
Facility I.D. #: 110422
Effective Date of Certificate: 06/05/2012

Project Description: CCHS, Inc. d/b/a Cape Fear Valley Medical Center shall construct a satellite hospital with 65 acute care beds, 7 observation beds, two operating rooms, 24-hour emergency services, diagnostic imaging, laboratory and pharmacy services

A. Status of the Project

1. Describe in **detail** the steps taken to complete the project since the CON was issued or since the last progress report was submitted.

CFVMC continues to operate at significantly high occupancy levels even with major operational changes designed to reduce length of stay; changes in Medicare regulations regarding length of stay; and increased emphasis on discharging patients to lower level of care settings when appropriate. Pursuant to N.C.G.S 131E-83, the Division of Health Service Regulation has continually granted approval for a 60-day temporary increase for Cape Fear Valley Medical Center to temporarily increase its licensed bed capacity by 10% or 52 additional acute care beds as a result of continued high utilization. As evidenced by the continued use of temporary increases in CFVMC licensed capacity, and the acute care bed need projections included in the 2019 SMFP, CFVMC continues to need the additional acute care beds approved in this project and CFVMC intends to add the approved acute care beds to the CFVMC license as originally proposed.

Project I.D. M-8689-11 was appealed and subsequently settled per settlement agreement dated April 20, 2012. Subsequently, Cape Fear Valley received the Certificate of Need for Project I.D. M-8689-11 on June 12, 2012. At this time, Cape Fear Valley is the owner of the real estate in northern Cumberland County required for this project.

The delay in this project has been the result of several other initiatives which took priority since the project was awarded. During the last several years CFVHS has expanded significantly, adding three community hospitals. Project I.D. N-8499-10, Hoke Healthcare, LLC, has been completed and CFV Hoke Hospital became operational in March 2015. CFVHS continues to work to shift inpatient and outpatient surgical volume to CFV Hoke Hospital to relieve the capacity constraints at CFVMC. In addition, two Harnett Health community hospitals, Central Harnett Hospital and Betsy Johnson Hospital are now managed by and part of CFVHS and CFVHS has worked diligently to improve the financial feasibility and utilization of services in Harnett County.

Further, CFVHS received approval to develop 34 additional acute care beds at CFVMC on the campus at 1638 Owen Drive, Project I.D. M-10294-14. CFVHS determined that implementing these 34 beds first would provide relief to capacity issues at CFVMC in a timelier manner at considerably less expense and proceeded to develop the 34 beds first in accordance with discussions with the CON Section. The 34 beds were implemented in three phases, with the final phase completed January 2018. All 34 of the acute care beds approved in Project I.D. M-10294-14 are now operational. CFVMC submitted the final progress report for Project I.D. M-10294-14 in January 2018.

In July 2019, the implementation of Medicaid managed care has the potential to significantly decrease inpatient acute care utilization. CFVHS serves a very large Medicaid population. In addition, CFVHS continues to implement strategies throughout the facility to decrease length of stay. Finally, CFVHS is in the midst of a major computer system conversion to EPIC which requires a large commitment from corporate personnel that would be involved in the additional acute care bed project. As a result, the development of the 65-beds at Cape Fear Valley North has been delayed. With all of these changes, CFVHS is aware that the

need for additional acute care beds may decrease. Therefore, CFVHS is committed to continue carefully analyzing the need to develop the additional acute care beds and will continue to provide updates to DSHR regarding any proposed changes in the project and future timeframes as they are determined.

2. Describe any of the previously approved changes which will impact this project:
 - a. Cost Overruns and/or Changes of Scope (Include the Project I.D. numbers);
 - b. Material Compliance determinations; and
 - c. Declaratory Rulings

CFVMC currently is analyzing this project to determine the most effective way to implement the beds and will contact the CON Section when a final development plan is complete to determine if a cost overrun, material compliance or declaratory ruling is needed.

3. If the project is not going to be developed exactly as approved, describe all differences between the project as approved and the project as currently proposed. Such changes include, but are not limited to, changes in the:
 - a. Site;
 - b. Design of the facility;
 - c. Number or type of beds to be developed;
 - d. Medical equipment to be acquired;
 - e. Proposed charges; and
 - f. Capital cost of the project.

As discussed above, CFVMC currently is analyzing which location offers the best access, the most cost-effective alternative, and the best value for the residents of Cumberland County. CFVMC will contact the CON Section if any changes are proposed.

4. Pursuant to G.S. 131E-181(d), the Certificate of Need (CON) Section cannot determine that a project is complete until "the health service or the health service facility for which the certificate of need was issued is licensed and certified and in material compliance with the representations made in the certificate of need application." To document that new or replacement facilities, new or additional beds or dialysis stations, new or replacement equipment or new services have been licensed and certified, provide copies of correspondence from the appropriate section within the Division of Health Service Regulation and the Centers for Medicare and Medicaid Services (CMS).

Project not complete, still under development.

B. Timetable

1. Complete the following table. The first column **must** include the timetable dates found on the certificate of need. If the CON Section has authorized an extension of the timetable in writing, you may substitute the dates from that letter.

PROJECT MILESTONES	Projected Completion Date from certificate	Actual completion date	Proposed completion date
	Month/day/year	Month/day/year	Month/day/year
Obtained Funds for the Project			
Final Drawings and Specifications Sent to DHSR	02/15/2014		TBD
Final drawings approved by Construction, DHSR			

Acquisition of land/facility			
Construction Contract Executed	5/1/2014		TBD
25% completion of construction	7/1/2014		TBD
50% completion of construction	11/1/2014		TBD
75% completion of construction	1/1/2015		TBD
Completion of construction	3/1/2015		TBD
Ordering of Medical Equipment	11/1/2014		TBD
Operation of Medical Equipment			
Licensure	4/1/2015		TBD
Certification	4/1/2015		TBD

**Proposed completion dates are contingent upon CON approval*

2. If the project is experiencing delays in development, explain in detail the reasons for the delay.

The delay in the project is discussed above. The 34 acute care beds approved after this project are operational and planning and development of this CON has begun. As soon as a new timeframe is developed, CFVMC will contact the CON Section to discuss changes in the timeframe.

- C. **Medical Equipment Projects** – If the project involves the acquisition of any of the following equipment: 1) major medical equipment as defined in NCGS §131E-176(14o); 2) the specific equipment listed in NCGS §131-176(16); or 3) equipment that creates a diagnostic center as defined in NCGS §131E-176(7a), provide the following information for each piece or unit of equipment: 1) manufacturer; 2) model; 3) serial number; and 4) date acquired.

Not Applicable.

D. Capital Expenditure

1. What is the total approved capital cost of the project indicated on the certificate of need? **\$ 87,332,825**
2. Complete the table on the following page.
- a. Include all capital costs that have been paid to date as well as those that the applicant(s) are legally obligated to pay.
- b. If you have not already done so, provide copies of all executed contracts, including architect and engineering services (as applicable) and all final purchase orders for medical equipment costing more than \$10,000 per unit.
- c. If the project involves renovation or construction, provide copies of the Contractors Application for Payment [AIA G702] with Schedule of Values [AIA G703].

	Capital Expense Since Last Report	Total Cumulative Capital Expenditure
Site Costs		
Purchase price of land	\$ 2,473,000	\$ 2,473,000
Closing costs	_____	_____
Legal Fees	_____	_____
Site preparation costs	_____	_____
Landscaping	_____	_____
Other site costs (identify)	_____	_____
Subtotal Site Costs	\$ 2,473,000	\$ 2,473,000
Construction Contract		
Cost of materials	_____	_____

Cost of Labor	_____	_____
Other (Specify)	_____	_____
Subtotal Construction Contract	_____	_____
Miscellaneous Costs		
Building purchase	_____	_____
Fixed equipment purchase/lease	_____	_____
Moveable equipment purchase/lease	_____	_____
Furniture	_____	_____
Landscaping	_____	_____
Consultant fees	_____	_____
Financing costs	_____	_____
Interest during construction	_____	_____
Other miscellaneous costs (Specify)	_____	_____
Subtotal Misc. Costs	_____	_____
Total Capital Cost of the Project	\$ 2,473,000	\$ 2,473,000

No additional funds have been expended at this time.

3. What is the projected remaining capital expenditure required to complete the project? **\$ 84,859,825**
4. Will the total actual capital cost of the project exceed 115% of the approved capital expenditure on the certificate of need? If yes, explain the reasons for the difference.

No, the total capital expenditure is not expected to be more than 115% of the approved capital expenditure.

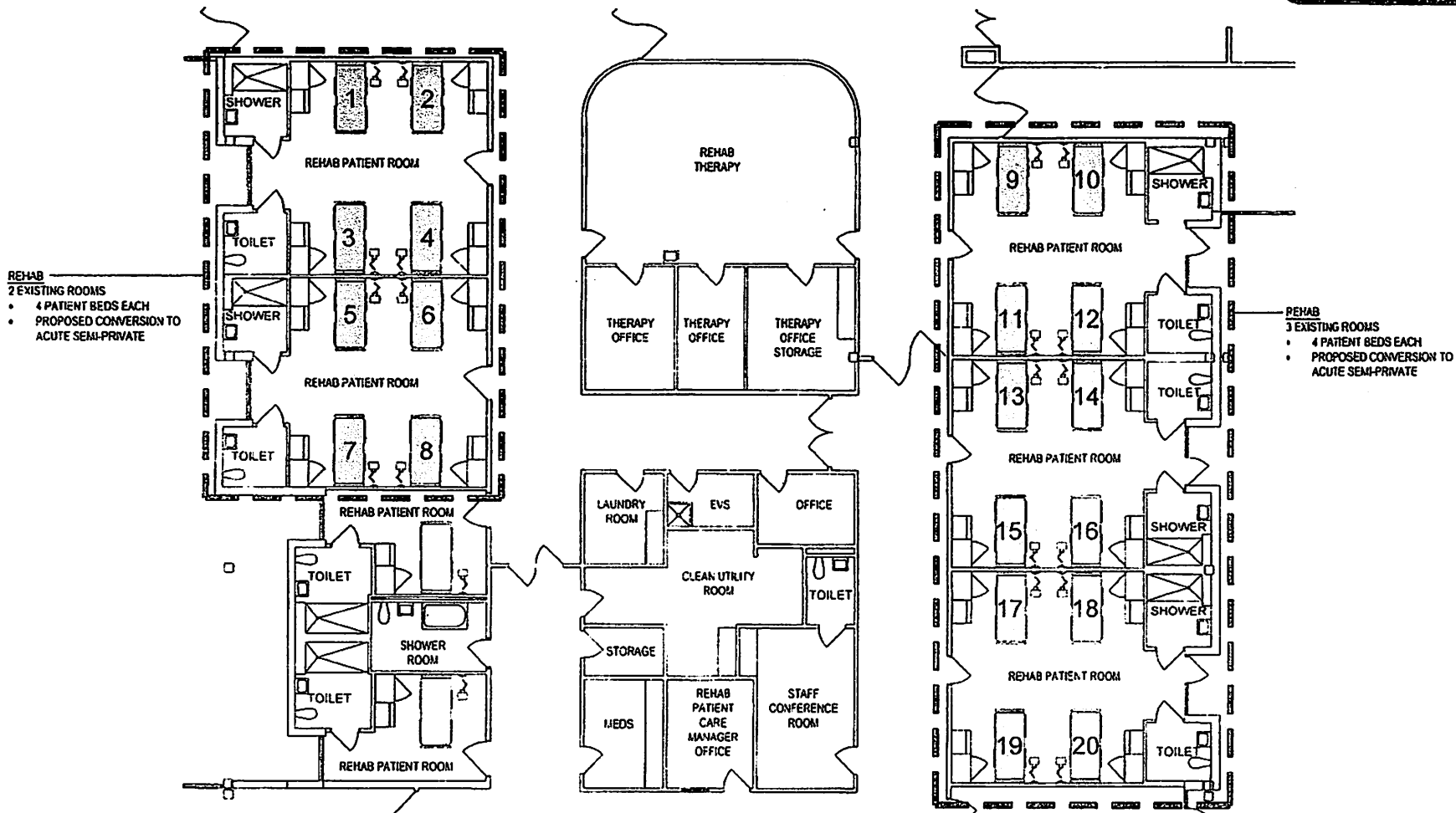
- E. **CERTIFICATION** – The undersigned hereby certifies that the responses to the questions in this progress report and the attached documents are correct to the best of his or her knowledge and belief. In addition, I acknowledge that incomplete progress report forms will not be accepted and must be resubmitted upon notification from a CON Project Analyst.

Signature: Sandy J. Godwin

Name and Title Corporate Director Financial Planning & Analytics

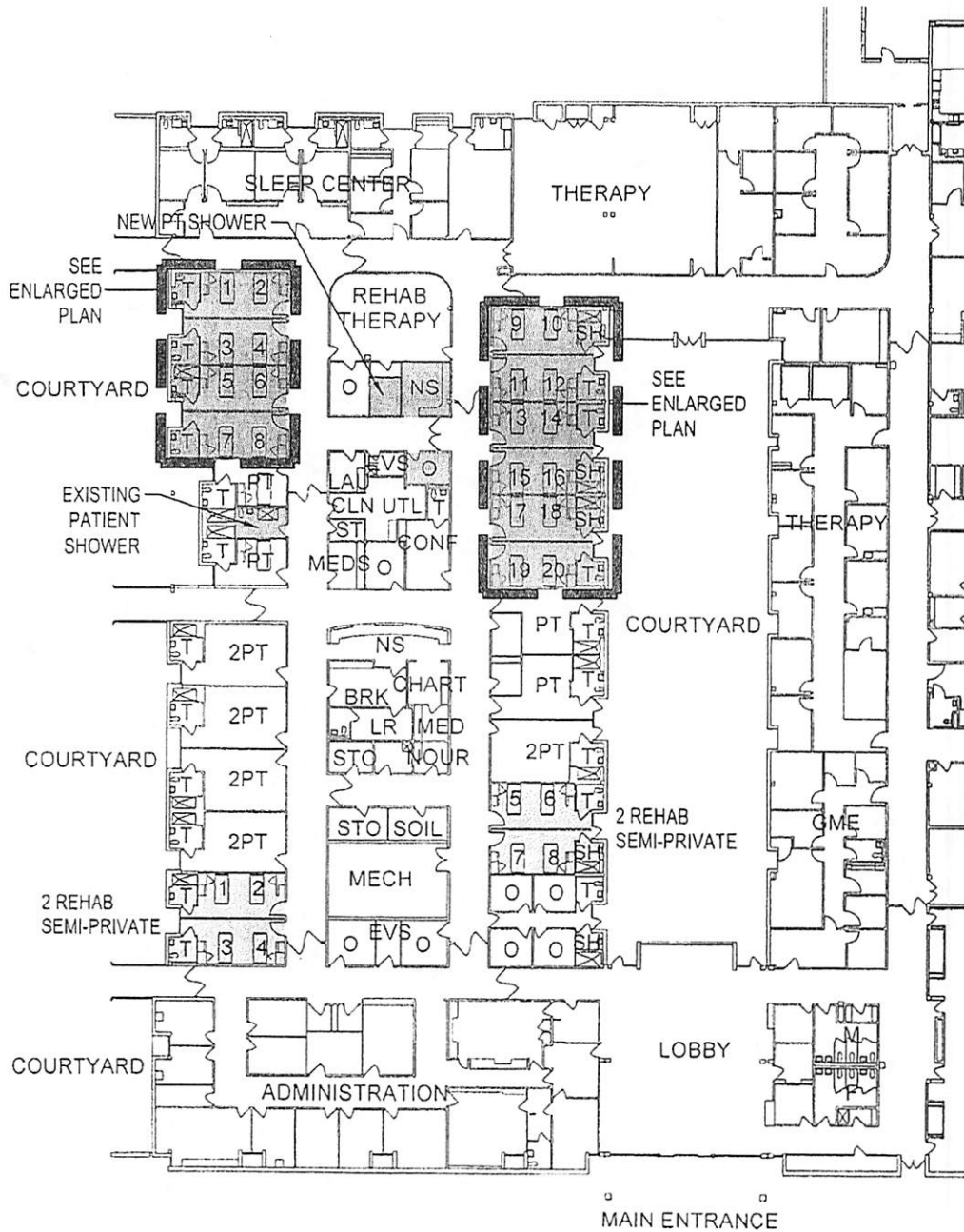
Telephone Number 910-615-6852 office

Email address Stgodwin@capefearvalley.com



EXISTING REHAB BED UNIT
 CFVMC: LEVEL 1 REHAB

NOT TO SCALE
 21 MARCH 2019



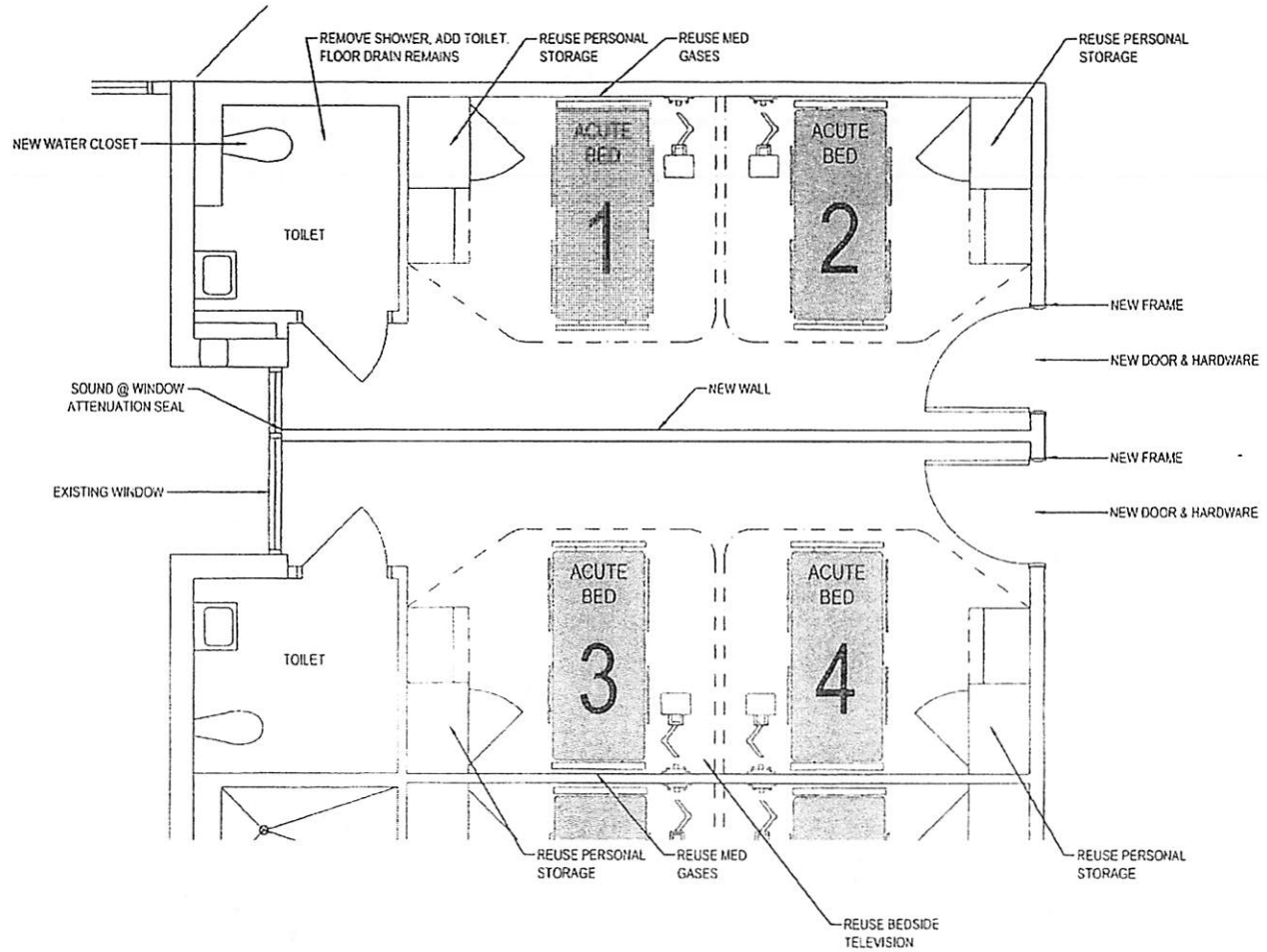
ACUTE CARE UNIT IMPACT	
CONVERT FIVE (5) EXISTING 4-PATIENT ROOMS TO 10 SEMI-PRIVATE ROOMS	
•	20 ACUE CARE BEDS
•	1 NEW PT. SHOWER
•	1 SUB NURSE STATION
•	PCM OFFICE
•	SHARE EXISTING SUPPORT AREAS:
A.	CLEAN
B.	SOIL
C.	EVS
D.	MEDS
E.	2nd PT. SHOWER
F.	CONF. ROOM / LOCKERS

REHAB UNIT IMPACT	
CONVERT TWO (2) EXISTING 4-PATIENT ROOMS TO FOUR (4) SEMI-PRIVATE ROOMS TO MATCH EXISTING SEMI-PRIVATE REHAB ROOMS.	
•	8 REHAB BEDS

PROPOSED ACUTE CARE BED UNIT

CFVMC: LEVEL 1 REHAB

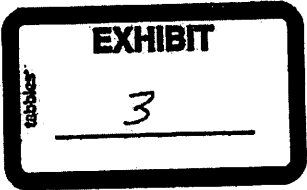
21 MARCH 2019



CFVMC REHAB ACUTE CARE BED OPTION
 RELOCATE 2NORTH CAPACITY TO REHAB

NOT TO SCALE
 21 MARCH 2019

Exhibit 3



December 29, 2020

Ms. Martha Frisone, Assistant Chief, Certificate of Need
Health Planning and Certificate of Need Section
North Carolina Division of Health Service Regulation
2704 Mail Service Center
Raleigh, NC 27699-2704

Re: Cape Fear Valley Medical Center
4 North 20 Inpatient Bed Renovation

Dear Ms. Frisone:

I am an architect at Cape Fear Valley Health System. I have over 30 years of experience in the construction, expansion and renovation of health facilities. As such I have the expertise to provide the required documentation regarding the capital expenditure associated with the development of 20 inpatient licensed beds at Cape Fear Valley Medical Center.

This letter is to certify that I have reviewed Projected Construction Costs and Professional Fee Estimates for the CFVMC 4North 20 Inpatient Bed Renovation. Based on my review and comparison of this project with similar projects, I believe the costs indicated are a reasonable estimate of the costs to be expected on a project of the defined scope, location and timeframe.

Construction Cost	\$ 3,554,361
<u>Design Fees and Reimbursables</u>	<u>\$ 300,000</u>
Total Certified Cost Estimate	\$ 3,854,361

The Total Project Budget in CON format is also attached.

The project will be developed to contain the costs of offering the proposed services by use of the following cost saving features, where applicable, that will be used to maintain efficient energy operations and contain costs of utilities.

Architectural

The architectural features that contribute to energy efficiency will include:

- Replacement of damaged or missing roof and wall exterior building insulation.

Water conservation features will include:

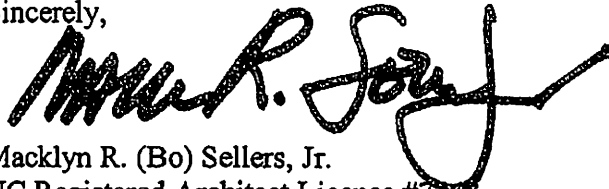
- Low flow plumbing fixtures.

Energy conservation measures will include:

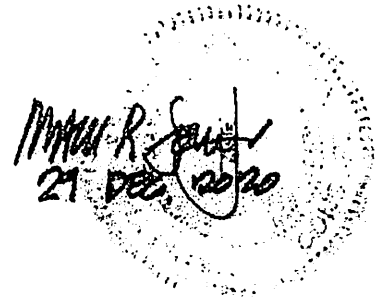
- New rooftop air handler with:
 - Chilled water from high efficiency chillers in central plant (replacing chillers in 2016)
 - Variable Air Volume systems
 - Variable Frequency Drives for new pumps and new AHU fans
 - Integrated digital building automation system with individual room thermostats
 - Basic commissioning by the design team
- Leakage test on new and impacted ductwork
- LED lighting fixtures
- Occupancy sensors for lighting
- Multi-level switching or dimming on lighting fixtures

If you have questions or require any additional information, please contact me.

Sincerely,



Macklyn R. (Bo) Sellers, Jr.
NC Registered Architect License #7768
Director of Design and Construction Management
Cape Fear Valley Health System



Category	Total Capital Expenditure
Purchase Price of Land	\$ -
Closing Costs	\$ -
Site Preparation	\$ -
Construction/Renovation Contract(s)	\$ 3,554,361
Landscaping	\$ -
Architect / Engineering Fees	\$ 300,000
Medical Equipment	\$ 157,000
Non-Medical Equipment	\$ 936,300
Furniture	\$ 68,000
Consultant Fees (specify)	\$ -
Financing Costs	\$ -
Interest during Construction	\$ -
Other (Asbestos Survey)	\$ 4,500
Other (Contingencies)	\$ 280,000
Total Capital Cost	\$ 5,300,161

Certificate of Need approval	\$ 5,300,161
15% allowance - if Needed by the State (prefer NOT to use this)	\$ 795,024
MAXIMUM AMOUNT with 15% add'l State Allowance	\$ 6,095,185

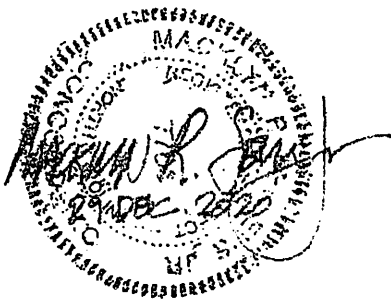


Exhibit 4

1 4TH FLOOR PLAN - NEW - DIMENSION

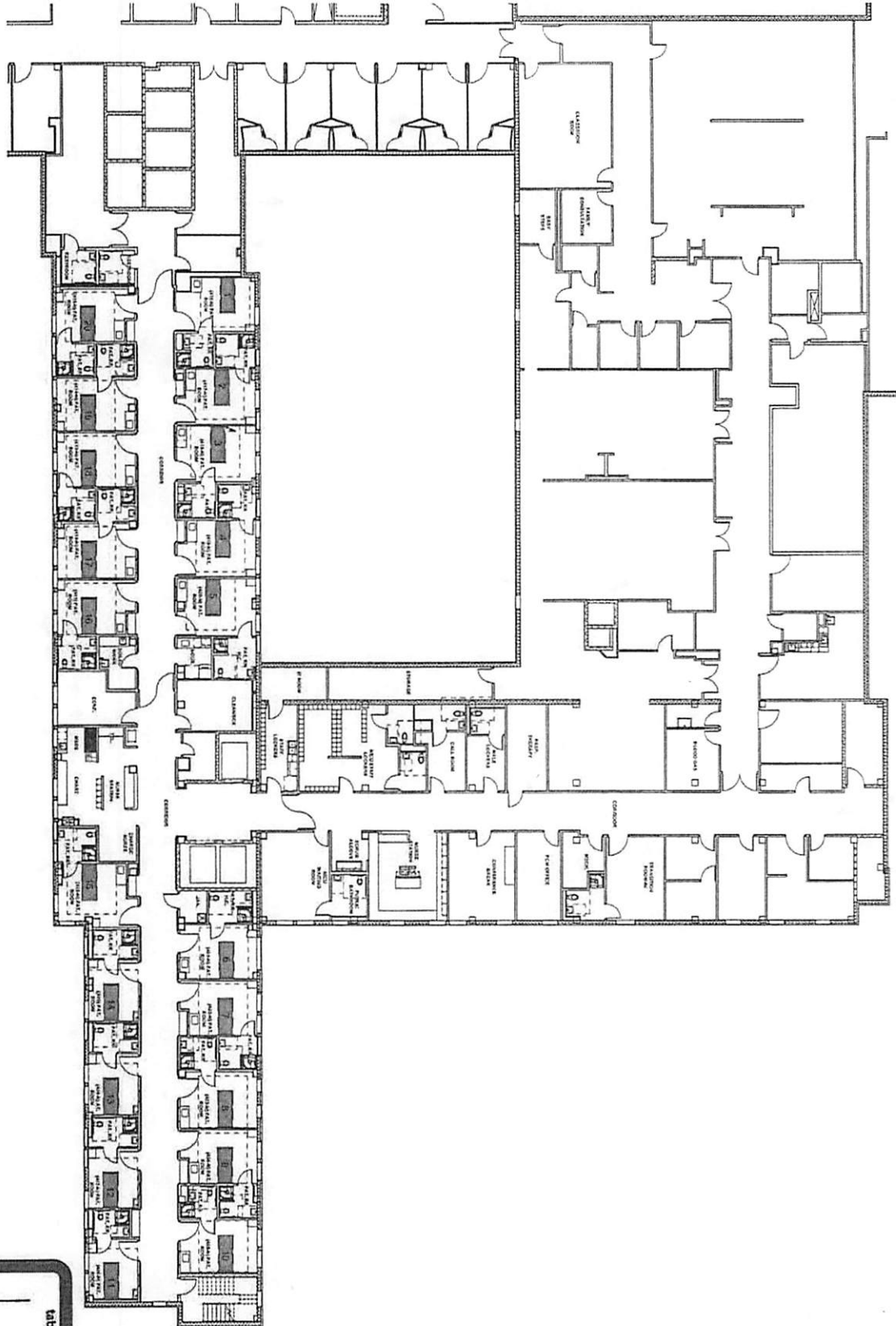


EXHIBIT 4
tabbles

CAPE FEAR VALLEY MEDICAL CENTER
4TH FLOOR NORTH TOWER - 20-BED UNIT RENOVATIONS
FAYETTEVILLE, NORTH CAROLINA
FOURTH FLOOR PLAN - NEW - DIMENSION

CONSTRUCTION DOCUMENTS

A2.4A
24 JANUARY 2010



SCALE: AS SHOWN
DATE: 01/24/10
PROJECT: 4TH FLOOR NORTH TOWER RENOVATIONS
DRAWN BY: [Name]

Exhibit 5

Project Milestones	Projected Completion Date from Certificate	Actual Completion Date
	mm/dd/yyyy	mm/dd/yyyy
Financing Obtained		
Drawings Completed	10/1/2020	10/1/2020
Land Acquired		
Construction / Renovation Contract(s) Executed	1/14/2021	
25% of Construction / Renovation Completed (25% of the cost is in place)	4/5/2021	
50% of Construction / Renovation Completed	5/1/2021	
75% of Construction / Renovation Completed	6/7/2021	
Construction / Renovation Completed	9/1/2021	
Equipment Ordered	3/1/2021	
Equipment Installed	9/15/2021	
Equipment Operational	9/28/2021	
Building / Space Occupied	8/16/2021	
Licensure Obtained	9/28/2021	
Services Offered (Required)	10/1/2021	
Medicare and / or Medicaid Certification Obtained		
Facility or Service Accredited		
Final Annual Report Due		

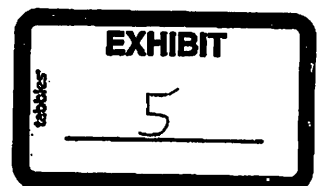
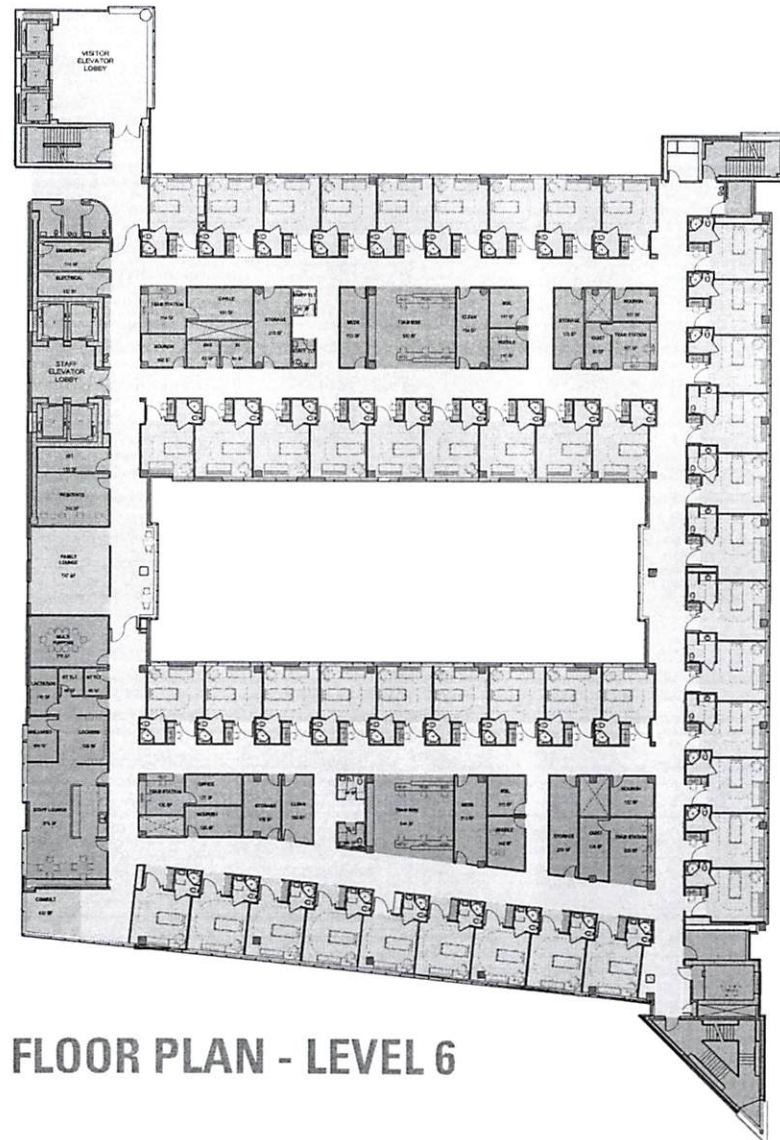


Exhibit 3

FLOOR PLAN MED SURG

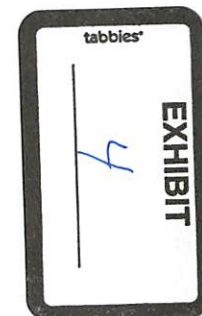
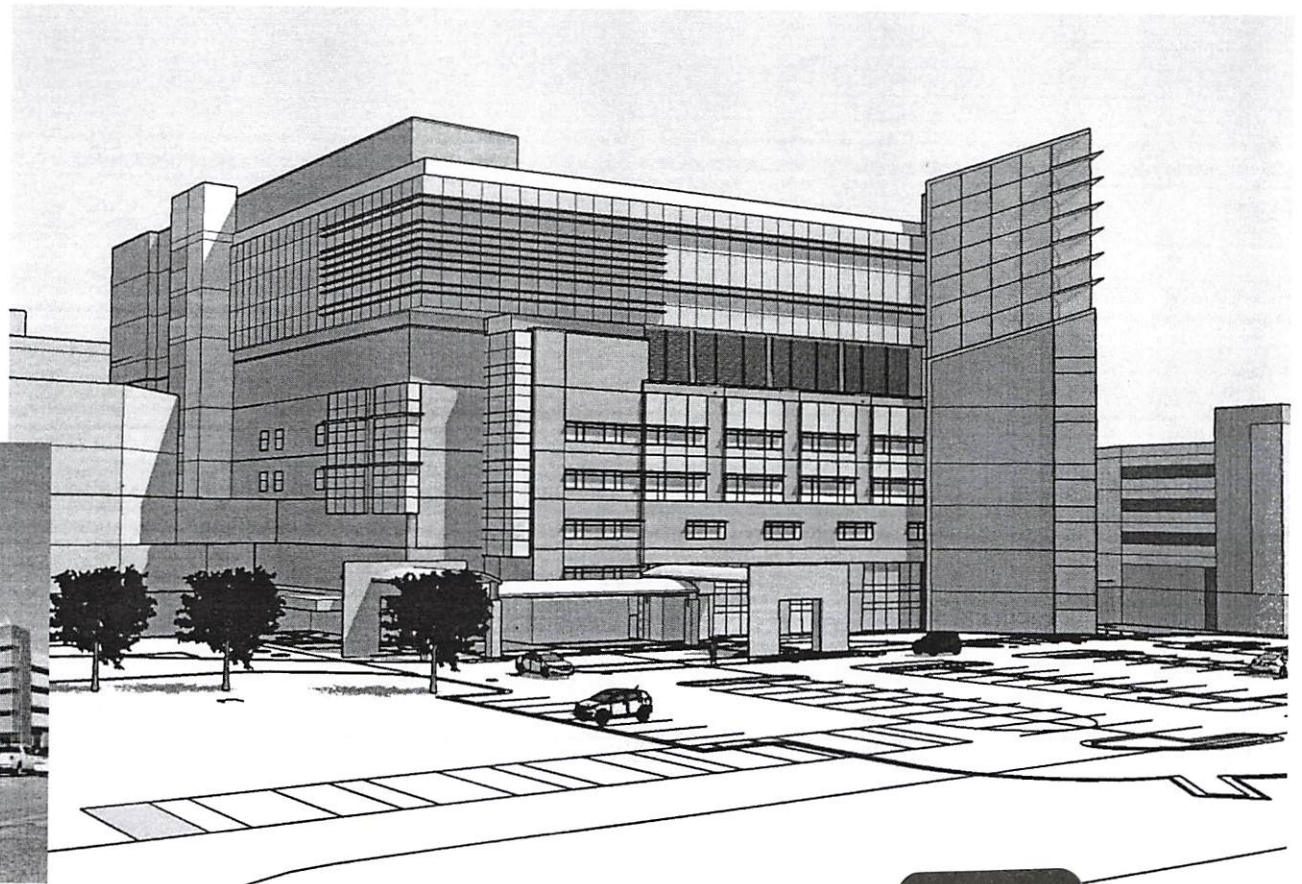


FLOOR PLAN - LEVEL 6



Exhibit 4

MASSING STUDY - OPTION B



VIEW 2

Exhibit 5



**Certificate of Need
Progress Report Form**

County: Cumberland
Facility: Cape Fear Valley Medical Center
Project I.D. #: M-8689-11

Date of Progress Report: 9/30/2021
Facility I.D. #: 110422
Effective Date of Certificate: 6/05/2012

Project Description: CCHS, Inc. d/b/a Cape Fear Valley Medical Center shall construct a satellite hospital with 65 acute care beds, 7 observation beds, two operating rooms, 24-hour emergency services, diagnostic imaging, laboratory and pharmacy services.

A. Status of the Project

1. Describe in **detail** the **steps taken** to complete the project since the CON was issued or since the last progress report was submitted. **Inadequate responses to this question will result in the certificate holder being asked to redo the progress report.**

CFVMC continues to need the additional acute care beds approved in this project and CFVMC intends to add the approved acute care beds to the CFVMC license.

Pursuant to N.C.G.S 131E-83, the Division of Health Service Regulation has continually granted approval for a 60-day temporary increase for Cape Fear Valley Medical Center to temporarily increase its licensed bed capacity by 10% or 52 additional acute care beds. During the Covid-19 pandemic, DHSR granted approval to use more beds, up to 194, if needed.

On January 5, 2021, CFVHS filed a Material Compliance Request to develop 20 of the 65 acute care beds approved for Cape Fear North at Cape Fear's Main Campus on Owen Drive, Fayetteville. On January 22, 2021, the Healthcare Planning and Certificate of Need Section determined that the proposed change is in material compliance with representations made in the application. Those changes included permanently developing 20 of the 65 acute care beds previously approved for Cape Fear North at the Cape Fear Valley Medical Center Main Campus.

Cape Fear Valley Medical Center has made significant progress in the development of those 20 beds on the main campus and expect to have them licensed and operational by January 2022 as noted in section B.3 and D.2.

2. **Identify all changes to this project approved after the issuance of the certificate, including:**
 - a. **Cost Overruns and/or Changes of Scope (Include the Project ID #s);**
 - b. **Material Compliance determinations; and**
 - c. **Declaratory Rulings**

On January 5, 2021, CFVHS filed a Material Compliance Request to develop 20 of the 65 acute care beds approved for Cape Fear North at Cape Fear's Main Campus on Owen Drive, Fayetteville. On January 22, 2021, the Healthcare Planning and Certificate of Need Section determined that the proposed change is in material compliance with representations made in the application. Those

changes included permanently developing 20 of the 65 acute care beds previously approved for Cape Fear North at the Cape Fear Valley Medical Center Main Campus.

3. **If the project is not going to be developed exactly as approved (including the previously approved changes identified in #2 above), describe all differences between the project as approved and the project as currently proposed. Such changes include, but are not limited to, changes in the:**
 - a. **Site;**
 - b. **Design of the facility;**
 - c. **Number or type of beds to be developed;**
 - d. **Medical equipment to be acquired;**
 - e. **Proposed charges; and**
 - f. **Capital cost of the project.**

As discussed above, CFVMC has been approved for a Material Compliance to relocate 20 of the 65 acute care beds to Cape Fear Valley Medical Center main campus. CFVMC will contact the CON Section when next steps are determined.

4. **Pursuant to N.C. Gen. Stat. § 131E-181(d), the Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) cannot determine that a project is complete until “the health service or the health service facility for which the certificate of need was issued is licensed and certified and is in material compliance with the representations made in the certificate of need application.” To document that new or replacement facilities, new or additional beds or dialysis stations, new or replacement equipment or new services have been licensed and certified, provide copies of correspondence from the appropriate sections within the Agency and the Centers for Medicare and Medicaid Services (CMS).**

The project is still under development and not complete.

B. Timetable

1. **Complete the following table. The first column must include the timetable dates found on the certificate of need. If the Agency has previously authorized an extension of the timetable in writing, you may substitute the dates from that letter in the first column.**
2. **Are you requesting a timetable extension? Yes No If the answer is yes, enter your proposed completion dates in the third column of the table below. Proposed completion dates are contingent upon Agency approval.**

CFVHS is not requesting a new timetable at this time but will once project planning for CFV North is final and a new timetable is defined.

3. **Explain the reason(s) for the delay in development:**

Twenty of the 65 beds approved in this project are under development on a new nursing unit on the main campus of CFVMC. The timeline below is specific to the twenty beds currently under

construction. As soon as a new timeframe is developed for the remaining beds, CFVMC will contact the CON Section to discuss changes in the timeframe.

Project Milestones Twenty of 65 beds on CFVMC Main Campus	Projected Completion Date from Certificate	Actual Completion Date	Proposed Completion Date*
	mm/dd/yyyy	mm/dd/yyyy	mm/dd/yyyy
Financing Obtained			
Drawings Completed	02/15/2014	10/1/2020	10/1/2020
Land Acquired			
Construction / Renovation Contract(s) Executed	5/1/2014	2/2/2021	2/2/2021
25% of Construction / Renovation Completed (25% of the cost is in place)	7/1/2014	4/5/2021	4/5/2021
50% of Construction / Renovation Completed	11/1/2014	9/1/2021	9/1/2021
75% of Construction / Renovation Completed	1/1/2015		12/1/2021
Construction / Renovation Completed	3/1/2015		1/14/2022
Equipment Ordered	11/1/2014		9/1/2021
Equipment Installed			1/11/2022
Equipment Operational			1/19/2022
Building / Space Occupied			1/19/2022
Licensure Obtained	4/1/2015		1/19/2022
Services Offered (Required)			1/21/2022
Medicare and / or Medicaid Certification Obtained	4/1/2015		
Facility or Service Accredited			
Final Annual Report Due			

*Proposed completion dates are contingent upon Agency approval.

C. **Medical Equipment Projects – If the project involves the acquisition of any of the following equipment: 1) major medical equipment as defined in N.C. Gen. Stat. § 131E-176(14o); 2) the specific equipment listed in G.S. 131-176(16); or 3) equipment that creates a diagnostic center as defined in N.C. Gen. Stat. § 131E-176(7a), provide the following information for each piece or unit of equipment:**

- 1) **Manufacturer**
- 2) **Model**
- 3) **Date Acquired**

Not Applicable.

D. Capital Expenditure

1. What is the total approved capital cost of the project indicated on the certificate of need?

\$ 87,332,825

2. Complete the table below and provide supporting documentation, which may include:

- a. Copies of executed purchase orders for major medical equipment (as defined in N.C. Gen. Stat. 131E-176(14o)), MRIs, PET scanners, Cath equipment, linacs or simulators, etc. If you previously provided them, you do not need to provide another copy.
- b. If applicable, copies of the Contractors Application for Payment [AIA G702] with Schedule of Values [AIA G703].

	Capital Expense Since Last Report	Total Cumulative Capital Expenditure
Purchase Price of Land		\$2,473,000
Closing Costs		
Site Preparation		
Construction/Renovation Contract(s)	1,887,434	1,887,434
Landscaping		
Architect / Engineering Fees	277,789	277,789
Medical Equipment	156,712	156,712
Non-Medical Equipment	131,708	131,708
Furniture	16,713	16,713
Consultant Fees (specify)	500	500
Financing Costs		
Interest during Construction		
Other (asbestos survey, other)	189,733	189,733
Total Capital Cost	2,660,589	5,133,589

3. What is the projected remaining capital expenditure required to complete the project? \$ 82,199,236

4. Will the total actual capital cost of the project exceed 115% of the approved capital expenditure on the certificate of need? If yes, explain the reasons for the difference.

Not Applicable.

E. Certification – The undersigned hereby certifies that the responses to the questions in this progress report and the attached documents are correct to the best of his or her knowledge and belief. In addition, I acknowledge that incomplete progress report forms will not be accepted and must be resubmitted upon notification from the Agency Project Analyst.

Signature: Sandy T. Godwin

Name and Title of Responsible Officer: Sandy T. Godwin, Corporate Director for Financial Strategic Planning & Analytics

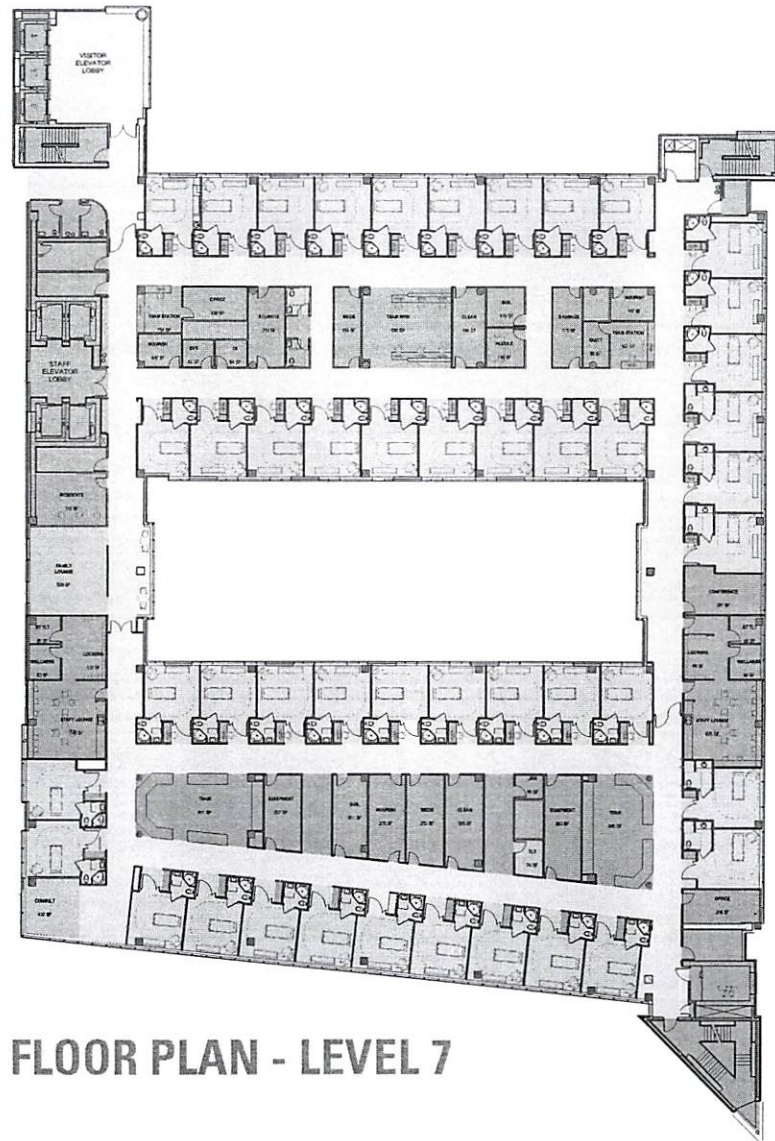
Telephone Number of Responsible Officer Office number is: 910-615-6852

Email: stgodwin@capefearvalley.com

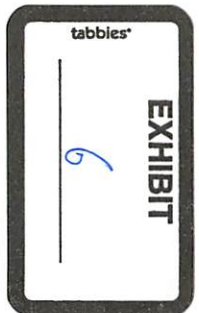
Exhibit 6

FLOOR PLAN

ICU



FLOOR PLAN - LEVEL 7



From: [Mitchell, Micheala L](#)
To: [Waller, Martha K](#)
Cc: [Pittman, Lisa](#)
Subject: FW: [External] Cape Fear Valley's Material Compliance Request and Exemption Notice
Date: Thursday, September 30, 2021 10:15:59 AM
Attachments: [20210930 K&L GATES.pdf](#)

For you Martha. Thank you!

Micheala Mitchell, JD
NC Department of Health and Human Services
Division of Health Service Regulation
Section Chief, Healthcare Planning and CON Section
809 Ruggles Drive, Edgerton Building
2704 Mail Service Center
Raleigh, NC 27699-2704
Office: 919 855 3879
Micheala.Mitchell@dhhs.nc.gov

Don't wait to vaccinate. Find a COVID-19 vaccine location near you at MySpot.nc.gov.
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-----Original Message-----

From: Qualls, Gary <Gary.Qualls@klgates.com>
Sent: Thursday, September 30, 2021 10:07 AM
To: Mitchell, Micheala L <Micheala.Mitchell@dhhs.nc.gov>; Pittman, Lisa <lisa.pittman@dhhs.nc.gov>
Subject: [External] Cape Fear Valley's Material Compliance Request and Exemption Notice

CAUTION: External email. Do not click links or open attachments unless you verify. Send all suspicious email as an attachment to Report Spam.<<mailto:report.spam@nc.gov>>

Micheala and Lisa:

Please accept this attached letter filing, which contains a material compliance request and exemption notice on behalf of my client, Cape Fear Valley Health.

Thanks

Gary

Gary S. Qualls
Partner
K&L Gates LLP
430 Davis Drive, Suite 400
Morrisville, NC 27560

Phone: 919-466-1182

Fax: 919-516-2072

gary.qualls@klgates.com

[https://urldefense.com/v3/___http://www.klgates.com___;!!HYmSToo!OcGWH2u3qK0AA9gY2CLxDr7WR_9uUgJ-67E51VG2cYcWWKilQvGY9POSgo6DknI8zdP7phcW_Q\\$](https://urldefense.com/v3/___http://www.klgates.com___;!!HYmSToo!OcGWH2u3qK0AA9gY2CLxDr7WR_9uUgJ-67E51VG2cYcWWKilQvGY9POSgo6DknI8zdP7phcW_Q$)

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