



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

S. Todd Hemphill  
301 Fayetteville Street, Suite 1900  
Raleigh, NC 27601

**Exempt from Review**

Facility: Frye Regional Medical Center, Inc.  
Project Description: Relocation and renovation of hospital pharmacy and laboratory and renovation and expansion of the Emergency Department  
County: Catawba  
FID #: 943182

Dear Mr. Hemphill:

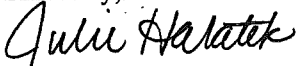
In response to your letters of April 30, 2014, and May 16, 2014, the above referenced proposal is exempt from certificate of need review in accordance with G.S. 131E-184(g). Therefore, you may proceed to offer, develop or establish the above referenced project without a certificate of need.


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](http://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



**BODE HEMPHILL, L.L.P.**

ATTORNEYS AT LAW

3105 GLENWOOD AVENUE, SUITE 300  
RALEIGH, NORTH CAROLINA 27612

TELEPHONE (919) 881-0338  
FACSIMILE (919) 881-9548

WWW.BCS-LAW.COM

S. TODD HEMPHILL  
MATTHEW A. FISHER  
DAVID R. BROYLES

ROBERT V. BODE (RETIRED)

MAILING ADDRESS

POST OFFICE BOX 6338  
RALEIGH, NORTH CAROLINA  
27628-6338

Writer's E-mail: [HEMPHILL@BCS-LAW.COM](mailto:HEMPHILL@BCS-LAW.COM)

May 16, 2014

Received by  
the CON Section  
MAY 16 2014

Martha J. Frisone, Interim Chief  
Julie Halatek, Project Analyst  
N.C. DEPARTMENT OF HEALTH AND HUMAN  
SERVICES, DIVISION OF HEALTH SERVICE  
REGULATION, CERTIFICATE OF NEED SECTION  
806 Ruggles Drive  
Raleigh, North Carolina 27603

**VIA HAND DELIVERY**

Re: REQUEST FOR LETTER OF EXEMPTION FOR HOSPITAL RENOVATIONS  
Frye Regional Medical Center, Inc.  
FID # 943182  
License # H0053

Dear Ms. Frisone and Ms. Halatek:

This letter is in response to your May 14, 2014 letter, asking that Frye Regional Medical Center provide a written response documenting:

1. That financial control of the entire licensed health service facility is exercised at the site of the proposed renovations or construction; and
2. That administrative control of the entire licensed health service facility is exercised at the site of the proposed renovations or construction.

Renovation of existing space and construction of new space described in our April 30, 2014 letter all will be on the main campus located at 420 North Center Street in Hickory. We have previously provided you with line drawings showing the renovations to be conducted regarding the pharmacy, emergency department and lab.

Financial and administrative control of the entire licensed health service facility is exercised in hospital's administrative offices, which are located on the first floor of the same building. Attached hereto as Exhibit 7 are hospital floor plans showing the first, third and fourth floors of the hospital building. As noted on page 1 of Exhibit 7, the administrative and financial offices of the hospital are located on the first floor, very close to the current lab and ED. Page 2 shows the current pharmacy located on the third floor of the same building, and the

Ms. Frisone • Ms. Halatek

May 16, 2014

Page 2

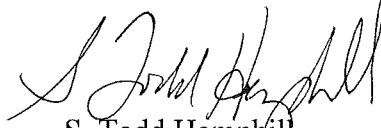
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proposed new locations of the pharmacy and lab will be located on the fourth floor, as shown on page 3.

Please let us know if we can provide you with any further information.

Very truly yours,

BODE HEMPHILL, L.L.P.



S. Todd Hemphill

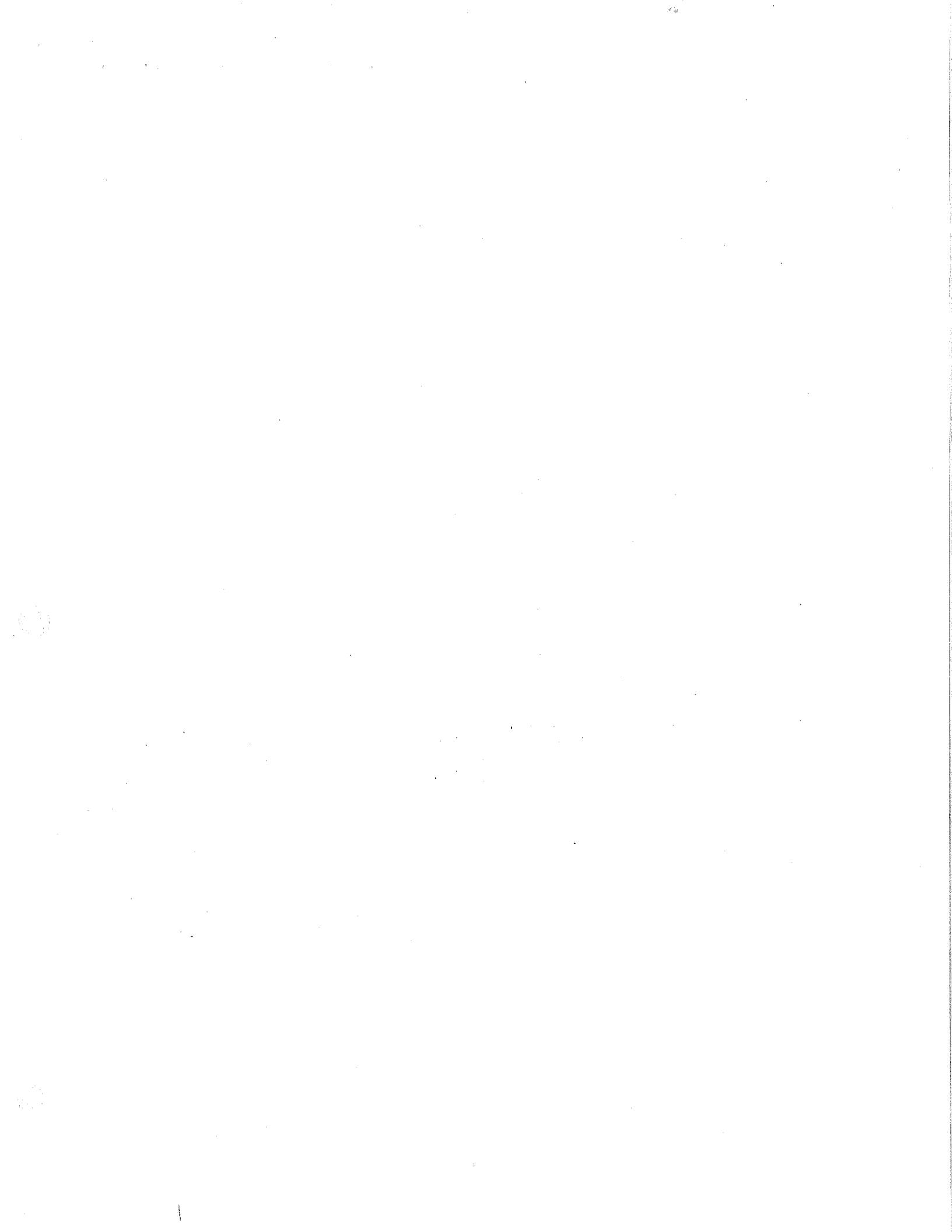
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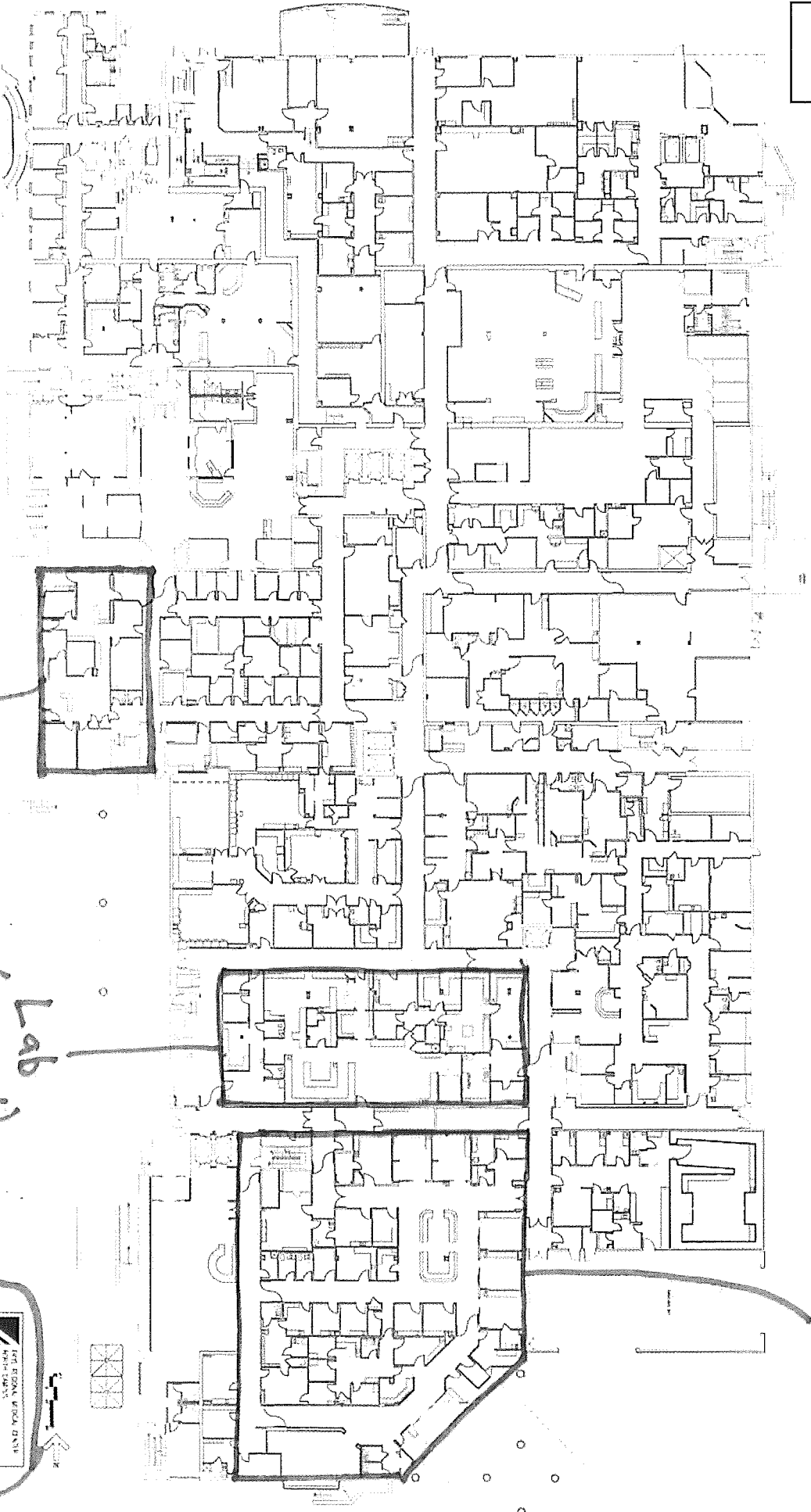
Enclosure

cc: Gar Atchison (via e-mail only)

Carol Ferri (via e-mail only)

V:\Frye\Pharmacy Relocation\Correspondence\LTR - Exemption Request Update.docx



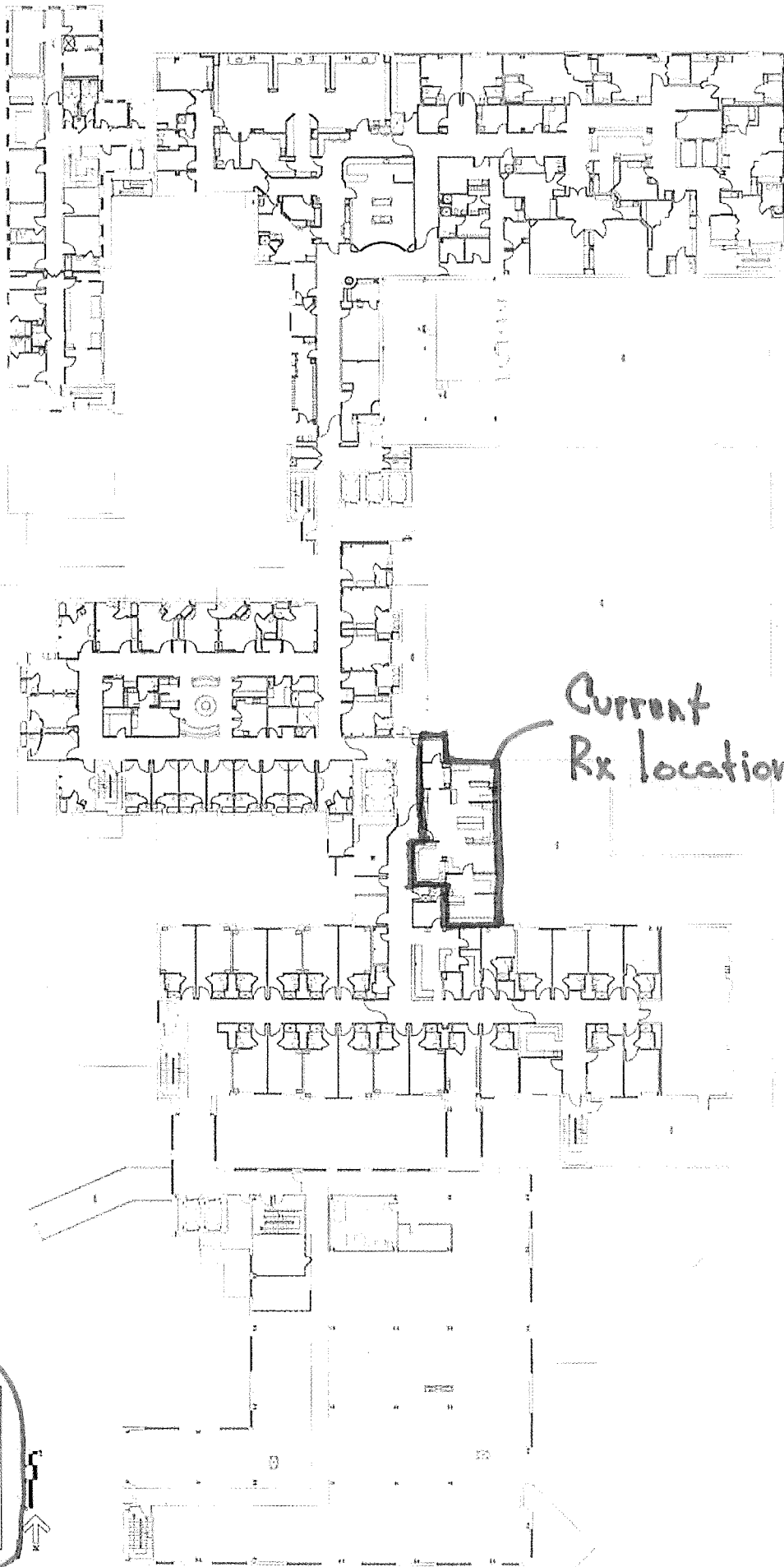


Admin/CFO  
Areas

Lab  
(current)

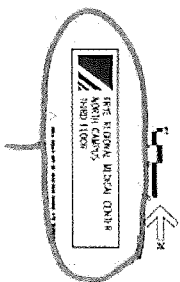
E.D Area

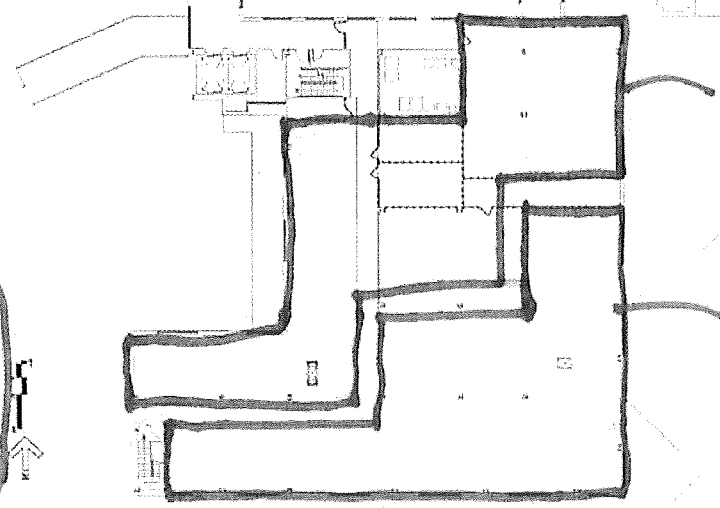
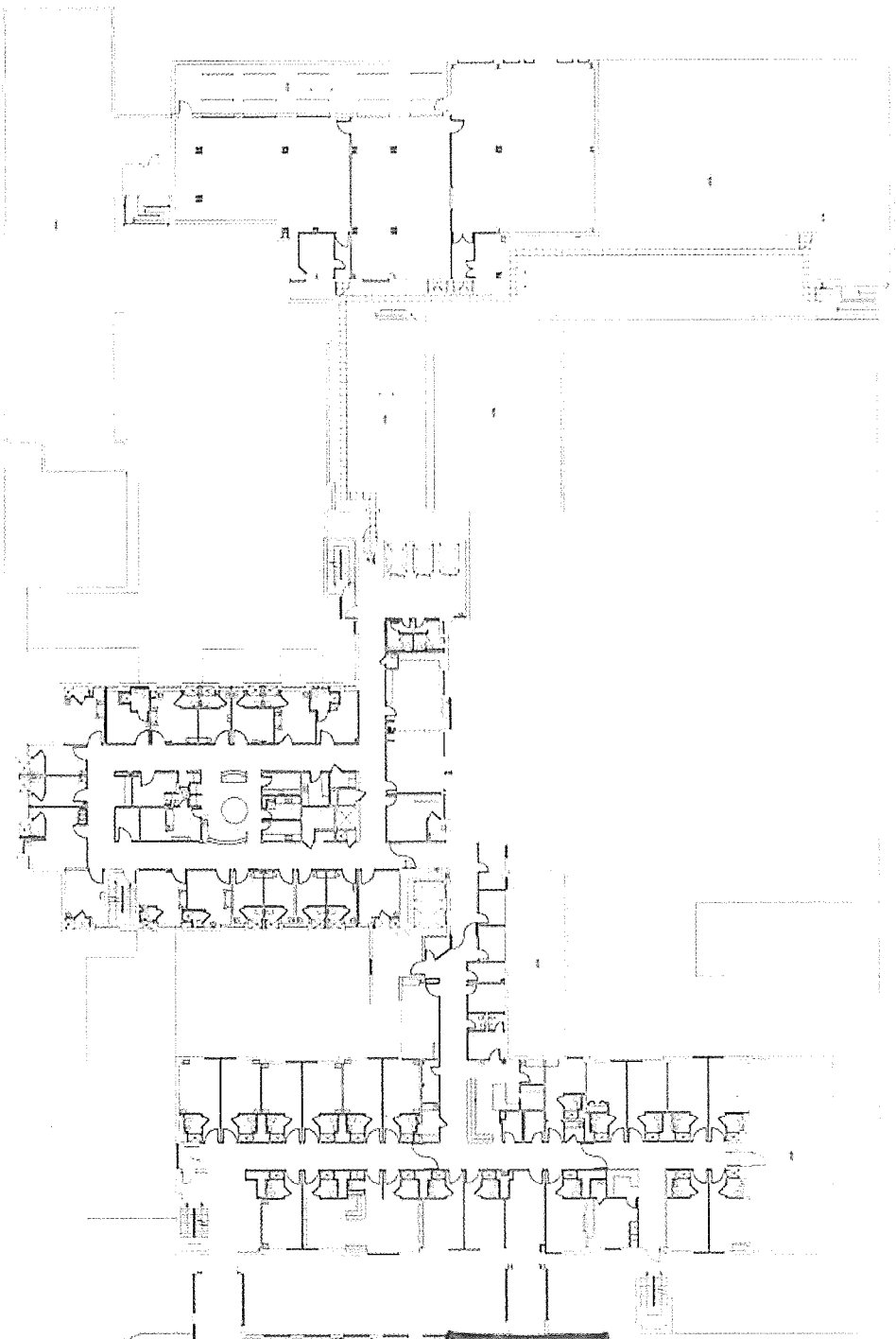
1st  
Floor



Current Rx location

3rd Floor

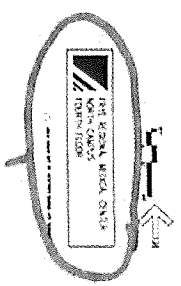




New Location for Lab

Now Location for Rx

4th Floor





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

May 14, 2014

S. Todd Hemphill & Matthew A. Fisher  
3105 Glenwood Avenue, Suite 300  
Raleigh, NC 27612

**Information Request for Exemption Pursuant to G.S. 131E-184(g)**

Facility: Frye Regional Medical Center, Inc.  
Project Description: Relocate pharmacy and laboratory, construct new space for emergency department, and renovate existing space  
County: Catawba  
FID #: 943182

Dear Mr. Hemphill and Mr. Fisher:

The Certificate of Need Section (CON Section) has received your letter dated April 30, 2014, regarding the above reference proposal. However, additional information is needed to determine if the project is exempt from review pursuant to G.S. 131E-184(g).

Provide a written response to each of the following.

1. Documentation that financial control of the entire licensed health service facility is exercised at the site of the proposed renovations or construction.
2. Documentation that administrative control of the entire licensed health service facility is exercised at the site of the proposed renovations or construction.

If you have any questions concerning this request, please do not hesitate to call me.

Sincerely,

Julie Halatek, Project Analyst  
Certificate of Need Section



**Certificate of Need Section**

[www.ncdhhs.gov](http://www.ncdhhs.gov)

Telephone: 919-855-3873 • Fax: 919-733-8139

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

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**BODE HEMPHILL, L.L.P.**

ATTORNEYS AT LAW

3105 GLENWOOD AVENUE, SUITE 300  
RALEIGH, NORTH CAROLINA 27612

TELEPHONE (919) 881-0338

FACSIMILE (919) 881-9548

WWW.BCS-LAW.COM

S. TODD HEMPHILL  
MATTHEW A. FISHER  
DAVID R. BROYLES

ROBERT V. BODE (RETIRED)

Writer's E-mail: [HEMPHILL@BCS-LAW.COM](mailto:HEMPHILL@BCS-LAW.COM)

*Julie*



April 30, 2014

Martha J. Frisone, Interim Chief  
Julie Halatek, Project Analyst  
N.C. DEPARTMENT OF HEALTH AND HUMAN  
SERVICES, DIVISION OF HEALTH SERVICE  
REGULATION, CERTIFICATE OF NEED SECTION  
806 Ruggles Drive  
Raleigh, North Carolina 27603

**VIA HAND DELIVERY**

Re: REQUEST FOR LETTER OF EXEMPTION FOR HOSPITAL RENOVATIONS  
Frye Regional Medical Center, Inc.  
FID # 943182  
License # H0053

Dear Ms. Frisone and Ms. Halatek:

We are writing you on behalf of our client, Frye Regional Medical Center, Inc., a North Carolina corporation (hereinafter "Frye"), requesting the CON Section to issue a letter determining that Frye's proposal to incur capital expenditures to renovate space and relocate services on its existing hospital main campus, is exempt from certificate of need review, within the meaning of N.C. Gen. Stat. § 131E-184(g).

Frye is a licensed acute care hospital located in Hickory, Catawba County, North Carolina. Frye is in the process of investigating the renovation of existing space and construction of new space on the main campus located at 420 North Center Street in Hickory. Specifically, Frye is anticipating the development of the following projects over the course of the next 18 months.

1. Relocation of the hospital pharmacy from its current location on the third floor of the main hospital to medical office space located on the fourth floor of the Heart Tower.<sup>1</sup> A line drawing showing the pharmacy renovations to be performed on the fourth floor is attached as Exhibit 3.
2. Construction of an addition to the Emergency Department (“ED”), to meet the increasing demand for emergency services. The existing ED consists of 13 rooms and has approximately 38,000 visits a year, well exceeding normal standards. The addition will add 8 to 12 exam rooms, which will include the use of existing space currently occupied by the hospital lab. Attached as Exhibits 4 and 5 are two line drawings, showing (a) the current configuration of the ED and lab, and (b) the renovations which will be done in each space. The work will be done in three phases. Phases I and II will involve renovation of existing space in the ED (in purple). Phase III will involve renovation of space formerly occupied by the lab (in light green). In addition, the area in dark green is planned to have “heavy finishes renovation” in multiple phases as required to access the other spaces. That renovation will include replacing finishes, plates, covers, and lighting, but will not involve wall relocations.
3. As noted, the addition to the ED will require relocation of the hospital lab to medical office space on the fourth floor of the Heart Tower. Attached as Exhibit 6 is a line drawing showing those projected renovations.

It is Frye’s intention to develop these projects sequentially. None of the projects will involve the acquisition of any major medical equipment, a change in bed capacity, or the development of any new health service facility, within the meaning of G.S. 131E-176

While preliminary estimates of the cost of each of these projects is not complete, it appears that construction and renovation costs for each project will exceed \$2,000,000. Based upon the recent amendment to the CON law, we believe that each of these projects is exempt from CON review. Specifically, G.S. 131E-184(g) provides as follows:

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<sup>1</sup> In 2001, Frye received a CON for Project I.D. No. E-6291-00, to construct a new 17,172 square-foot addition to the existing cardiac telemetry unit at the south end of the hospital, on the second floor above the existing Emergency Department. In the application, Frye advised that it also intended to construct medical office space on two additional floors above the Emergency Department, which are the third and fourth floors of the heart tower. See CON application, p. 11, Exhibit 1 hereto. One of the conditions of the CON issued to Frye was that the medical office space referenced in the application would not include fittings for gasses or electrical wiring as would be necessary for patient rooms or other new institutional health services and that Frye would not develop a new institutional health service in that space without prior agency approval. See Condition # 4 to CON issued to Frye, Exhibit 2 hereto. It is that space on the fourth floor of the heart tower which is referenced in this letter.

*(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) 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.*

Each of the projects described above meets all of these criteria. The cost of each project is expected to exceed \$2,000,000.<sup>2</sup> The sole purpose of each of these projects is to renovate, replace on the same site, or expand a portion of the hospital on the main hospital campus. Other than the cost of the projects, no new institutional health service is created other than that allowed in N.C. Gen. Stat. § 131E-176(16)b.

For the reasons set forth above, we believe that the above proposal is exempt from CON review pursuant to N.C. Gen. Stat. § 131E-184(g). We would appreciate your office reviewing this information and advising us that our analysis is correct and that none of the above is subject to CON review.

Attached for your review are the following exhibits referenced above:

1. Pertinent portions of CON Application, Project I.D. No. E-6291-00;
2. CON issued to Frye for Project I.D. No. E-6291-00;
3. Line Drawing, Pharmacy Relocation to 4<sup>th</sup> Floor, Heart Tower;
4. Line Drawing, Current Emergency Department and Laboratory Space;
5. Line Drawing, Projected Renovation and Expansion of Emergency Department;
6. Line Drawing, Laboratory Relocation to 4<sup>th</sup> Floor, Heart Tower;

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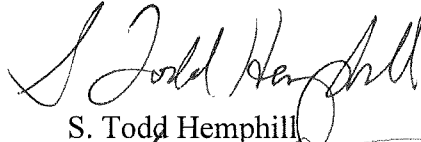
<sup>2</sup> On the outside chance that Frye is able to develop one or more of the projects for less than \$2,000,000, that project would not be a new institutional health service and would not be subject to CON review. N.C. Gen. Stat. § 131E-176(16)b.

Thank you very much for your attention to this matter. Should you have any questions, please do not hesitate to contact us at any time.

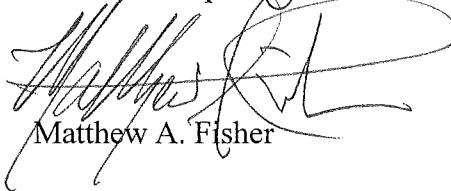
With warm regards, we remain

Very truly yours,

BODE HEMPHILL, L.L.P.



S. Todd Hemphill



Matthew A. Fisher

STH:sh

Enclosure

cc: Gar Atchison (via e-mail only)  
Carol Ferri (via e-mail only)





3. Person to whom all correspondence and questions regarding this application should be directed:

Daniel T. Meyer Vice President, Operations  
(Name) (Title)

420 North Center Street  
(Street & Number)

Hickory NC 28601 828  
(City) (State) (Zip) (Area Code & Phone Number)  
~~(704)~~ 324-3104

4. Name of Lessor ( If applicable):

Not applicable.

(Street & Number)

(City) (State) (Zip)

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

Not applicable.

(Street & Number)

(City) (State) (Zip)

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

Not applicable. Frye Regional does not have a contract for management of its facility.

(Street & Number)

(City) (State) (Zip)

7. Name of existing/proposed facility as it will appear on a certificate of need. (i.e. Jones Health Care d/b/a Jones of Smithburg):

|                                     |                |
|-------------------------------------|----------------|
| <u>Frye Regional Medical Center</u> | <u>Catawba</u> |
| (Name of Facility)                  | (County)       |

|                                |                |           |              |
|--------------------------------|----------------|-----------|--------------|
| <u>420 North Center Street</u> | <u>Hickory</u> | <u>NC</u> | <u>28601</u> |
| (Street & Number)              | (City)         | (State)   | (Zip)        |

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.

Frye Regional Medical Center proposes to construct a 1-story addition above its existing emergency department and relocate 24 existing acute care beds to new rooms in the addition.



**II. SCOPE OF SERVICES/QUALITY OF CARE**

1. Describe all components of the proposed project. Include a discussion of the proposed beds, equipment to be purchased, and services.

Frye Regional Medical Center proposes to construct an addition to its hospital, above the existing emergency department, to house replacement beds that will be developed as part of its cardiac telemetry unit. (Please note that two additional floors will be constructed above the telemetry unit for medical office space. However, that project is exempt from CON review per NCGS 131E-184(a)(9).)

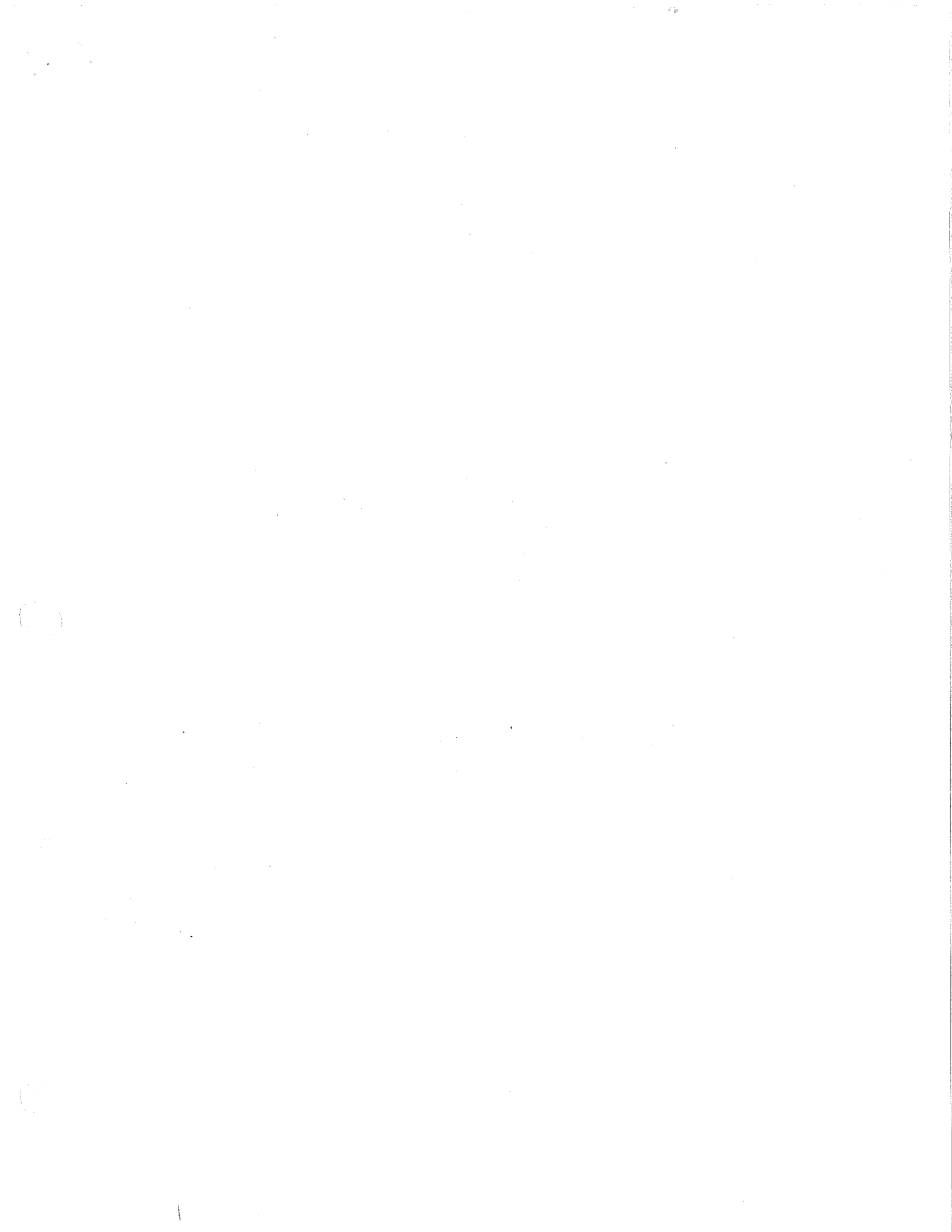
The existing cardiac telemetry unit is located on the first floor of the hospital adjacent to the cardiovascular surgery suites and the cardiovascular intensive care unit. The cardiac catheterization laboratory is located on the ground floor, just beneath the telemetry unit. This project proposes to relocate into newly constructed space:

- 13 general acute care beds from other inpatient units
- 9 general acute care beds from the existing telemetry unit

The proposed project will expand the hospital's telemetry monitoring capabilities, while providing expanded private room availability for the convenience of heart patients, families and staff and keeping all inpatient components of the Heart Center in one location with. The components of the project are detailed below.

**Relocate Beds**

The proposed project will involve expanding the capacity of the telemetry unit by relocating beds from other areas of the hospital. The chart below shows the current number of beds in each unit of the hospital and the number of beds proposed to be relocated to the expanded telemetry unit.



## STATE OF NORTH CAROLINA

Department of Health and Human Services

Division of Facility Services

## CERTIFICATE OF NEED

for

Project Identification Number E-6291-00

FID#943182

ISSUED TO: Frye Regional Medical Center, Inc.  
420 North Center Street  
Hickory, NC 28601

Pursuant to N.C. Gen. Stat. § 131E-175; et. seq., the North Carolina Department of Health and Human Services hereby authorizes the person or persons named above (the "certificate holder") to develop the certificate of need project identified above. The certificate holder shall develop the project in a manner consistent with the representations in the project application and with the conditions contained herein and shall make good faith efforts to meet the timetable contained herein. The certificate holder shall not exceed the maximum capital expenditure amount specified herein during the development of this project, except as provided by N.C. Gen. Stat. § 131E-176(16)e. The certificate holder shall not transfer or assign this certificate to any other person except as provided in N.C. Gen. Stat. § 131E-189(c). This certificate is valid only for the scope, physical location, and person(s) described herein. The Department may withdraw this certificate pursuant to N.C. Gen. Stat. § 131E-189 for any of the reasons provided in that law.

SCOPE: Frye Regional Medical Center/Construct a new 17,172 square-foot addition to the existing cardiac telemetry unit, relocate 21 existing licensed acute care beds and add 3 observation beds for outpatients for a total of 34 licensed acute care beds and 3 observation beds in the telemetry unit with no increase in total licensed acute care beds/Catawba County

CONDITIONS: See Reverse Side

PHYSICAL LOCATION: above the existing Emergency Department at the south end of the  
Frye Regional Medical Center  
420 North Center Street, Hickory, NC 28601

MAXIMUM CAPITAL EXPENDITURE: \$7,665,191

TIMETABLE: See Reverse Side

FIRST PROGRESS REPORT DUE: August 15, 2001

This certificate is effective as of the 27th day of February, 2001.

*Lee B. Hoffmann*  
Chief, Certificate of Need Section  
Division of Facility Services

**CONDITIONS:**

1. Frye Regional Medical Center shall materially comply with all representations made in its certificate of need application, except as modified by the conditions of approval.
2. Frye Regional Medical Center shall relocate no more than 21 existing licensed acute care beds and add three new observation beds for outpatients in the new addition for a total of no more than 34 existing licensed acute care beds and three new unlicensed observation beds in the telemetry unit.
3. Frye Regional Medical Center shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditure in Section VIII of the application, or any equipment that would otherwise require a certificate of need, or for which there are criteria and standards in the administrative rules.
4. On the second and third floors of the three-story addition constructed above its Emergency Department, Frye Regional Medical Center shall not include fittings for gasses or electrical wiring as would be necessary for patient rooms or other new institutional health services, and shall not develop a new institutional health service without obtaining a new certificate of need.
5. Frye Regional Medical Center shall not install gases, plumbing or electrical wiring as would be necessary for patient rooms or other new institutional health services, in the three rooms identified as A, B, and C in the line drawing of the new addition.
6. Prior to the issuance of the certificate of need, Frye Regional Medical Center shall acknowledge in writing to the Certificate of Need Section acceptance and compliance with all conditions stated herein.

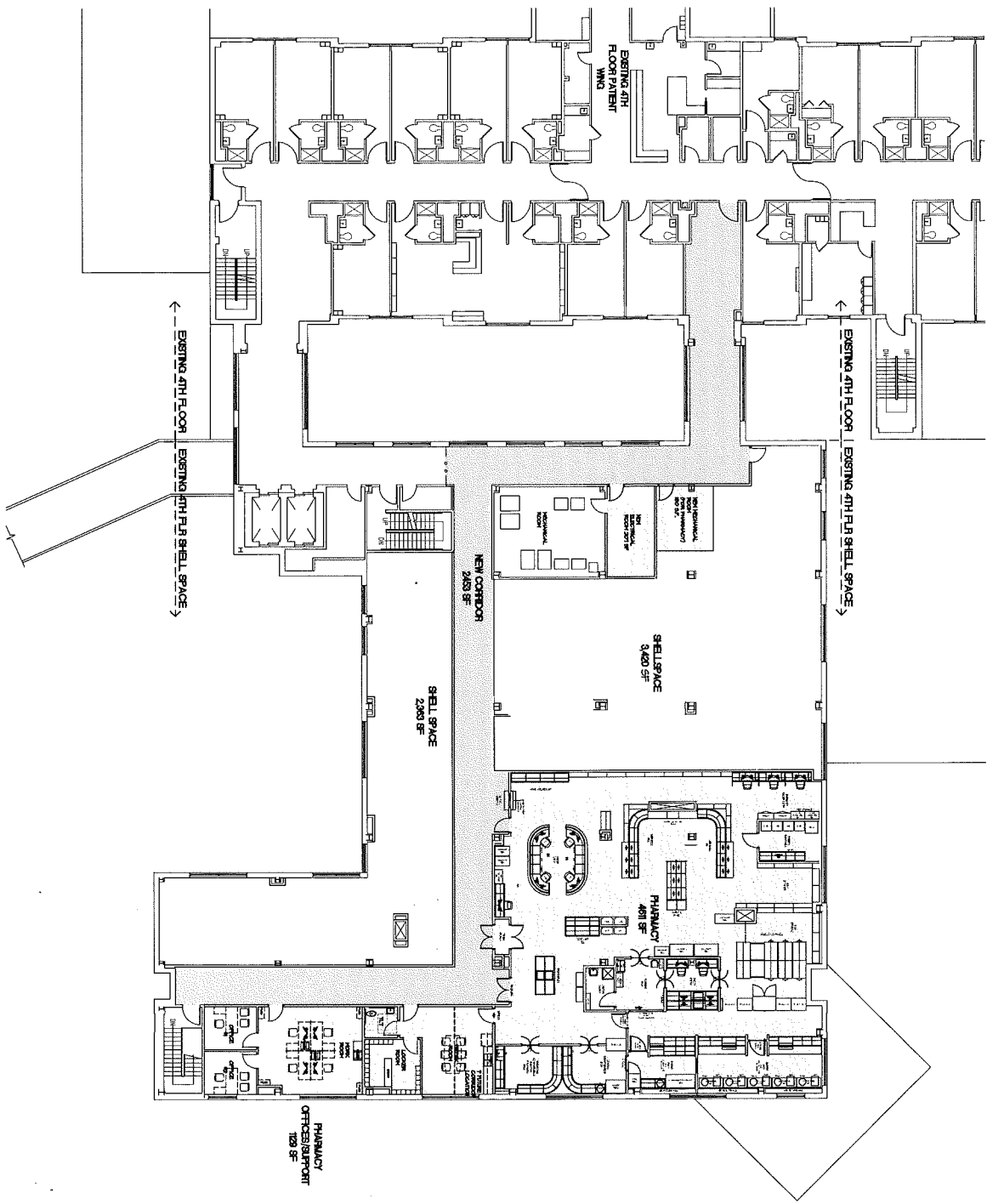
A letter acknowledging acceptance and compliance with all conditions stated in the conditional approval letter was received by the CON Section on February 27, 2001.

**TIMETABLE:**

|   |                    |
|---|--------------------|
| Obtaining funds necessary to undertake project _____                                | September 15, 2000 |
| Completion of preliminary drawings _____  | December 1, 2000   |
| Completion of final drawings and specifications _____                               | April 1, 2001      |
| Approval of final drawings and specifications by<br>Construction Section, DFS _____ | June 1, 2001       |
| Approval of Site by Construction Section, DFS _____                                 | June 1, 2001       |
| Contract Award _____  | June 1, 2001       |
| 25% completion of construction _____  | January 1, 2002    |
| 50% completion of construction _____  | April 1, 2002      |
| 75% completion of construction _____  | July 1, 2002       |
| Completion of construction _____  | April 1, 2003      |



PROJECTS - CAPITAL FIVE HOSPITAL PHARMACY RELOCATION - HICKORY REGIONAL MEDICAL CENTER - FOURTH FLOOR (2014-15) - 15/16



PROPOSED PHARMACY / FOURTH FLOOR SHELL SPACE PLAN

SCALE: 1/8" = 1' - 0"

A-1

11/13/13  
MOL, CHM  
DECEMBER 16, 2013  
Revised 2-20-14  
Revised 2-27-14

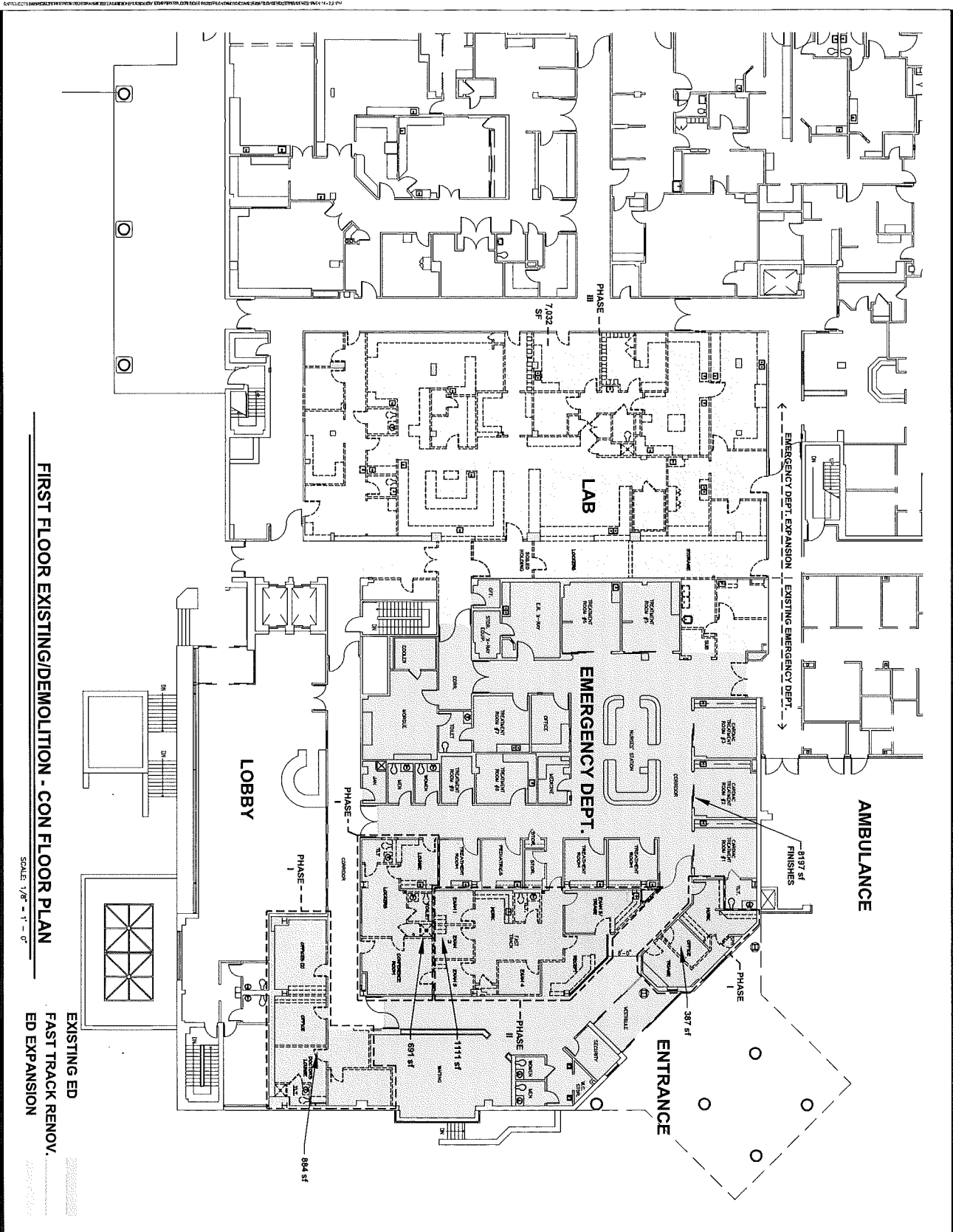
PHARMACY RELOCATION

Frye Regional Medical Center  
Hickory, North Carolina

PRELIMINARY  
NOT FOR CONSTRUCTION

MCCULLOUGH  
BENLAND  
ASSOCIATES  
ARCHITECTS





FIRST FLOOR EXISTING/DEMOLITION - CON FLOOR PLAN

SCALE: 1/8" = 1' - 0"

EXISTING ED  
FAST TRACK RENOV.  
ED EXPANSION

A-1

EMERGENCY DEPARTMENT EXPANSION



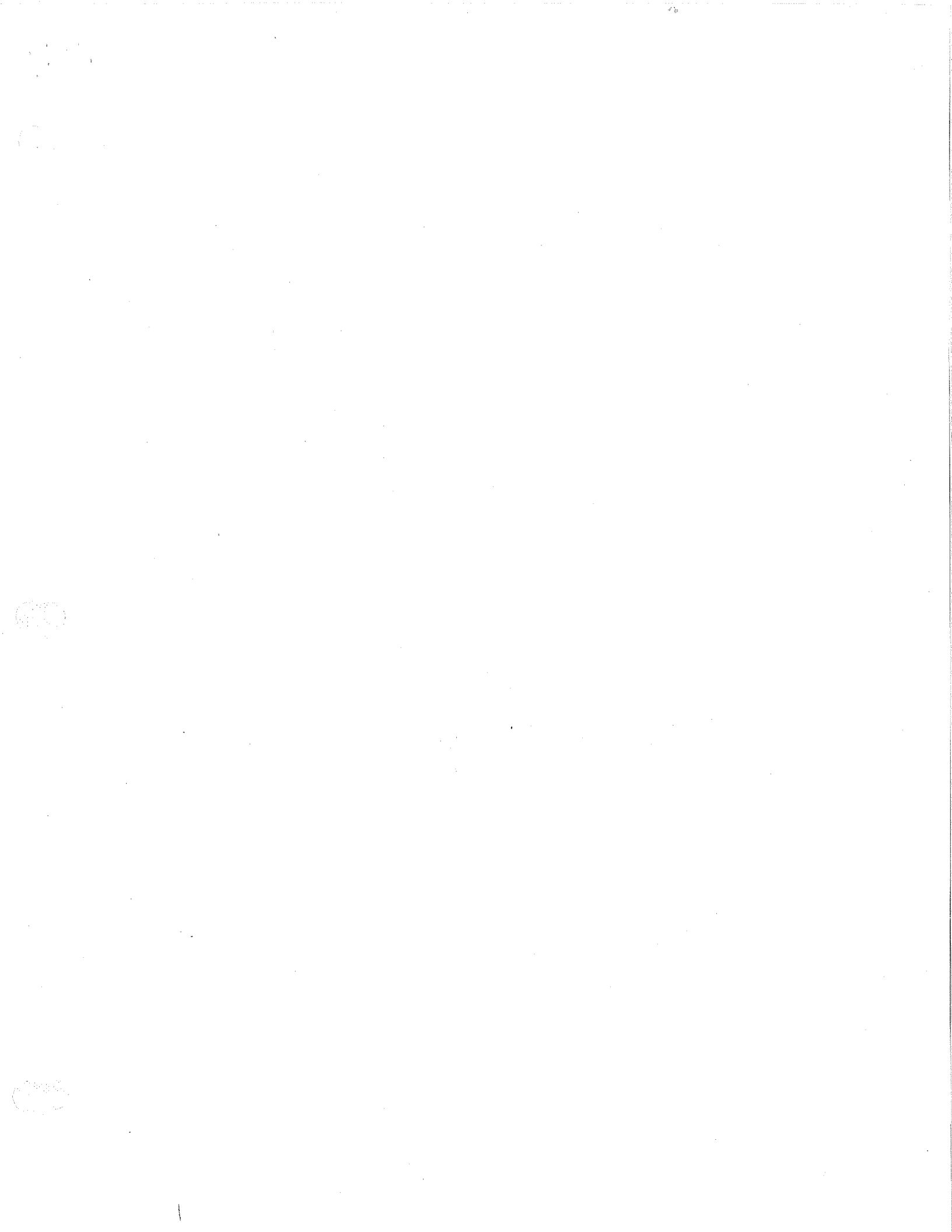
Frye Regional Medical Center  
Hickory, North Carolina

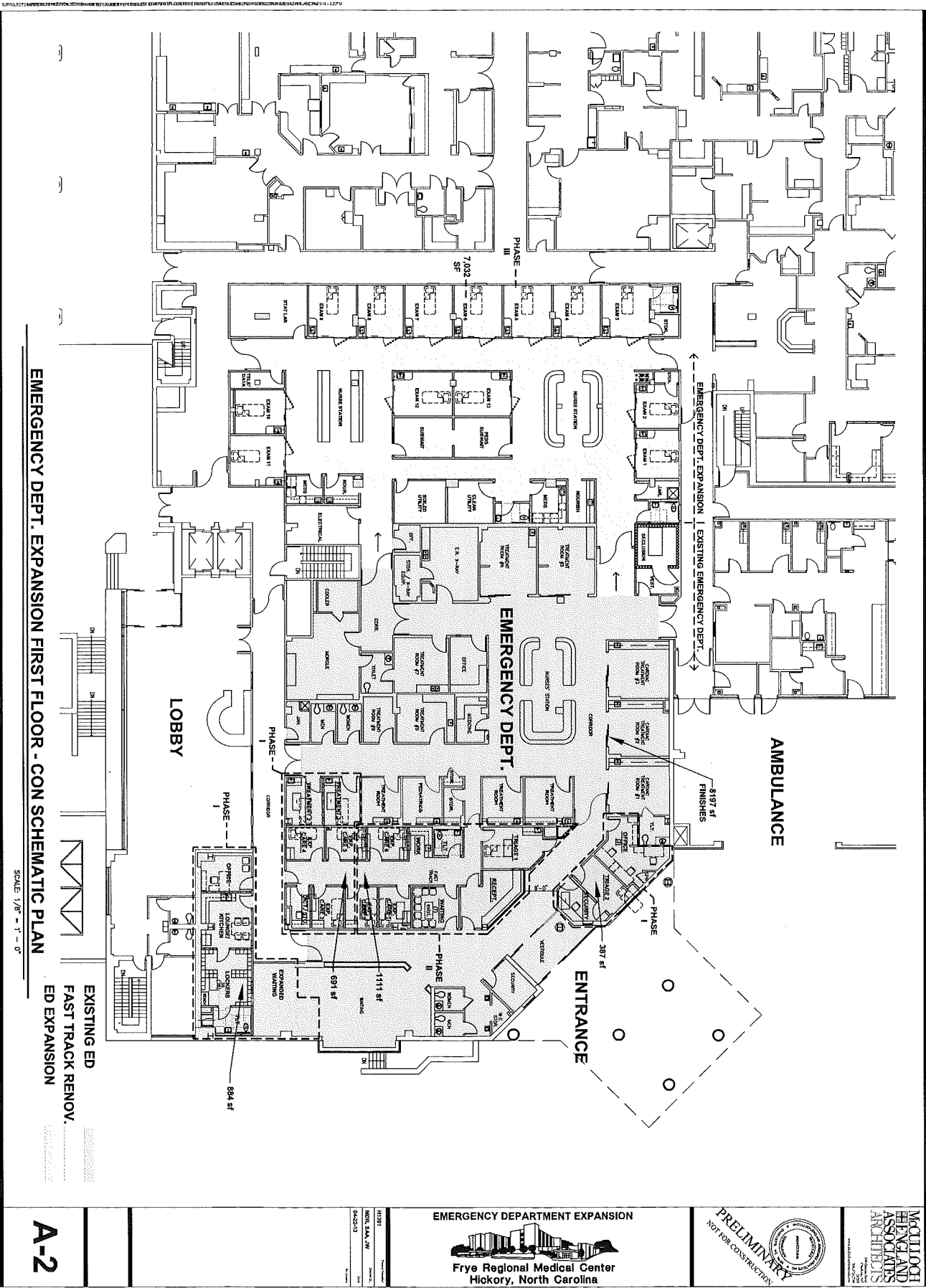
PRELIMINARY  
NOT FOR CONSTRUCTION



MCGOUGH  
BERNARD  
& ASSOCIATES  
ARCHITECTS







EMERGENCY DEPT. EXPANSION FIRST FLOOR - CON SCHEMATIC PLAN

SCALE 1/8" = 1'-0"

EXISTING ED  
FAST TRACK RENOV.  
ED EXPANSION

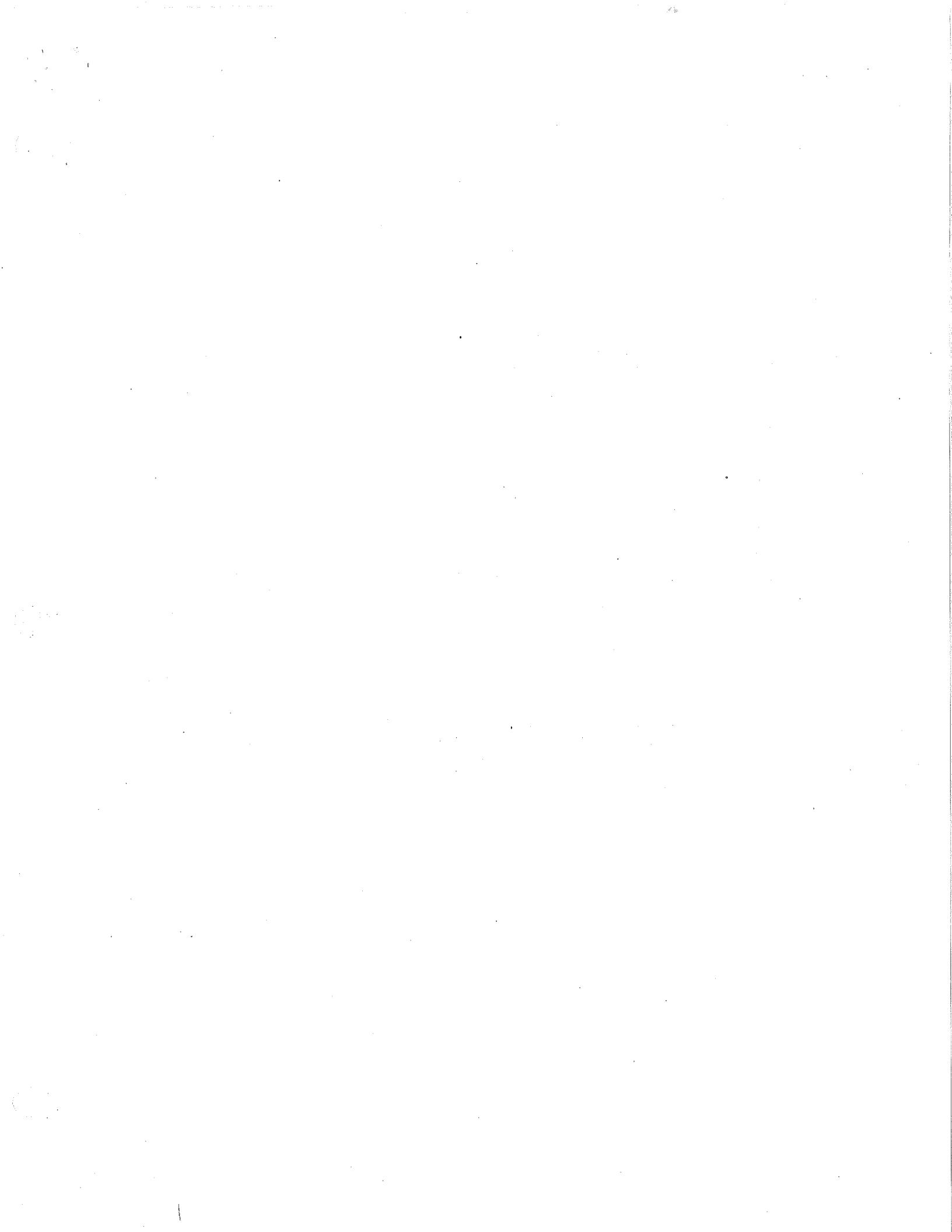
A-2

EMERGENCY DEPARTMENT EXPANSION

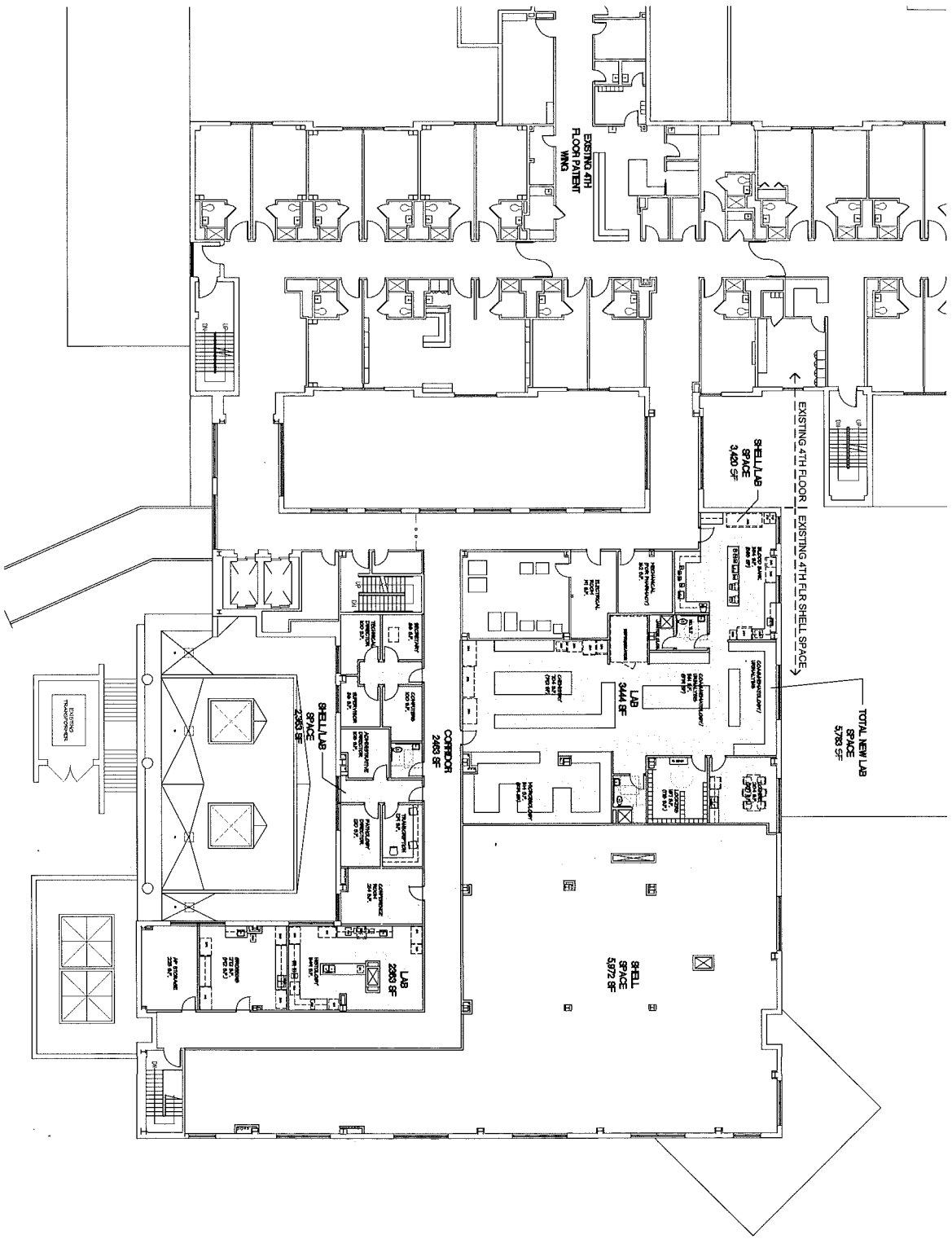
Frye Regional Medical Center  
Hickory, North Carolina

PRELIMINARY  
NOT FOR CONSTRUCTION

MOTT MACDONALD  
HILLMAN ASSOCIATES  
ARCHITECTS



PROJECT: 230317157 (15/11/2011) 02 23/08/2011 FEASIBILITY STUDY CON PLAN (13) BASE PLAN FOURTH FLOOR 04-23-11 DWG LAB 03-25-11 04/24/11 11:22AM



PROPOSED LABORATORY RELOCATION - FOURTH FLOOR SHELL SPACE CON PLAN

SCALE: 1/8" = 1' - 0"

A-3

LABORATORY RELOCATION

Frye Regional Medical Center  
Hickory, North Carolina

MORTIMER  
BLENKIN  
AND  
ASSOCIATES  
ARCHITECTS

1000 W. HICKORY ST.  
HICKORY, NC 28601  
TEL: 815.321.1111  
WWW.MORTIMERBLENKIN.COM

|          |                |
|----------|----------------|
| 11/21/11 | Project Number |
| MJE: SJA | Scale          |
| 04-23-11 | Date           |