

NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**

ROY COOPER • Governor

MANDY COHEN, MD, MPH • Secretary

MARK PAYNE • Director, Division of Health Service Regulation

June 4, 2018

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

Exempt from Review

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

Dear Mr. Burgess:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letter of May 23, 2018, the above referenced proposal is exempt from certificate of need review in accordance with N.C. Gen. Stat. §131E-184(g). Therefore, you may proceed to offer, develop, or establish the above referenced project without a certificate of need.

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

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

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

LOCATION: 809 Ruggles Drive, Edgerton Building, Raleigh, NC 27603
MAILING ADDRESS: 809 Ruggles Drive, 2701 Mail Service Center, Raleigh, NC 27699-2701
www.ncdhhs.gov/dhsr • TEL: 919-855-3750 • FAX: 919-733-2757

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

Sincerely,



Julie M. Faenza
Project Analyst



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

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



Poyner Spruill^{LLP}

May 23, 2018

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

VIA HAND-DELIVERY AND U.S. MAIL

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

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

Dear Martha and Julie:

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

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

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

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



Poyner Spruill[®]

Martha Frisone
May 23, 2018
Page 2

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

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

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

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

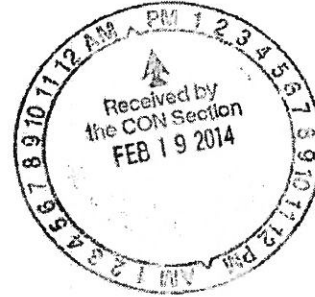
Very truly yours,

Kenneth L. Burgess
Partner

cc: Sonya Greck
Don Esposito, Esq.

Attachments

February 19, 2014



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

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

Dear Ms. Frisone:

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

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

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

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

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

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

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

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

Sincerely,

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


Brian D. Moore

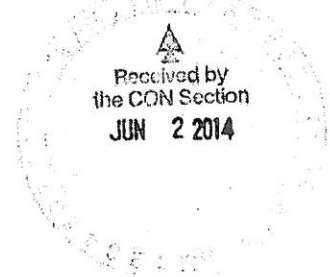
Enclosures
cc: Toby Kay



June 2, 2014

Via E-Mail

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



Re: **Information Request Related to Notice of Exemption Pursuant to G.S. 131E-184(g)**
Facility: Mission Hospital
Project Description: Renovate and consolidate services and expand the central energy plant
FID #: 943349
County: Buncombe

Dear Ms. Halatek:

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

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

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

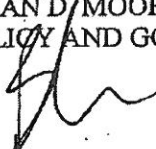
3. This project will not result in an increase in the number of beds, operating rooms, or gastrointestinal endoscopy rooms. We are renovating and relocating space for beds, operating rooms, and gastrointestinal endoscopy rooms, but we are not adding any new beds, operating rooms, or gastrointestinal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

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

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

Sincerely,

BRIAN D MOORE, DIRECTOR, PUBLIC
POLICY AND GOVERNMENTAL RELATIONS

A handwritten signature in black ink, appearing to read "B. Moore", is written over the typed name.

Brian D. Moore



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

Drexal Pratt
Division Director

June 19, 2014

Brian D. Moore
509 Biltmore Avenue
Asheville, NC 28801

Exempt from Review

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

Dear Mr. Moore:

In response to your letters of February 19, 2014, and June 2, 2014, the above referenced proposal is exempt from certificate of need review in accordance with G.S. 131E-184(g). Therefore, you may proceed to offer, develop or establish the above referenced project without a certificate of need.

However, you need to contact the Construction and Acute and Home Care Licensure and Certification Sections of the Division of Health Service Regulation to determine if they have any requirements for development of the proposed project.

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

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

Sincerely,

Julie Halatek
Project Analyst

Martha J. Frisone, Interim Chief
Certificate of Need Section

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

Certificate of Need Section

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