



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

April 16, 2020

Stephanie M. Hoffmann
shoffmann@bradley.com

No Review

Record #: 3255
Facility Name: Martin General Hospital
FID #: 943328
Business Name: Quorum Health Corporation
Business #: 2329
Project Description: Change in Indirect Ownership Interest
County: Martin

Dear Ms. Hoffmann:

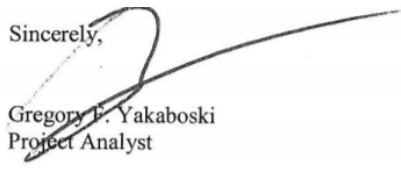
The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) received your correspondence regarding the above referenced proposal. Based on the CON law **in effect on the date of this response to your request**, the proposal described in that correspondence is not governed by, and therefore, does not currently require a certificate of need. If the CON law is subsequently amended such that the above referenced proposal would require a certificate of need, this determination does not authorize you to proceed to develop the above referenced proposal when the new law becomes effective.

You may need to contact the Agency's Acute and Home Care Licensure and Certification Section, to determine if they have any requirements for development of the proposed project.

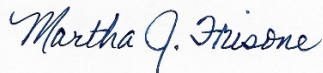
This determination is binding only for the facts represented in your correspondence. If changes are made in the project or in the facts provided in the correspondence referenced above, a new determination as to whether a certificate of need is required would need to be made by this office.

Please do not hesitate to contact this office if you have any questions.

Sincerely,



Gregory E. Yakaboski
Project Analyst



Martha J. Frisone
Chief

cc: Acute and Home Care Licensure and Certification 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
MAILING ADDRESS: 809 Ruggles Drive, 2704 Mail Service Center, Raleigh, NC 27699-2704
<https://info.ncdhhs.gov/dhsr/> • TEL: 919-855-3873

AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

Stephanie M. Hoffmann

Attorney
shoffmann@bradley.com
615.252.3837 direct
615.248.3037 fax



April 8, 2020

Via Federal Express and
E-mail to Greg.Yakaboski@dhhs.nc.gov

Greg Yakaboski
North Carolina Department of Health and Human Services
Healthcare Planning and Certificate of Need
2704 Mail Service Center
Raleigh, NC 27699-2704

**Re: Notice of Change in Information: Williamston Hospital Corporation d/b/a Martin
General Hospital (Lic. No. H0078)**

Dear Mr. Yakaboski:

Please accept this letter as notification of an anticipated change in information involving Williamston Hospital Corporation d/b/a Martin General Hospital (the "**Hospital**"), a general acute care hospital serving patients in North Carolina, and as a request for a formal determination regarding whether the proposed transaction is subject to certificate of need ("**CON**") review under North Carolina law. The Hospital holds the above-referenced license issued by the North Carolina Department of Health and Human Services ("**Agency**").

DESCRIPTION OF PROPOSED REORGANIZATION

The Hospital is directly owned by Quorum Health Corporation ("**Quorum Health**"), a publicly-traded company. On April 7, 2020, Quorum Health and certain of its subsidiaries filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code with the Bankruptcy Court for the District of Delaware to implement a negotiated financial restructuring (the "**Restructuring**"). Once the Restructuring is approved by the bankruptcy court, Quorum Health will emerge from bankruptcy. As a result of the emergence from bankruptcy, Quorum Health's ownership will change and Quincy Health, LLC will become the new owner of Quorum Health. Additional information concerning the Restructuring, including a copy of the press release issued by Quorum Health, is available at <https://quorumforward.com>.

The Hospital will continue to exist and serve patients in its community through the course of the bankruptcy proceeding and thereafter. The Restructuring is expected to bring greater financial stability to a distressed hospital enabling it to continue to provide quality services to North Carolina residents, particularly during the COVID-19 crisis. **The Hospital will continue to provide health care services at the same location, under the same legal entity name and federal tax identification number. The Restructuring will not result in a change of ownership for Medicare purposes. Furthermore, the Restructuring is not expected to change or alter any of the Hospital's policies and procedures, equipment, personnel, or operations.**

Unlike a merger and acquisition transaction where the seller and buyer determine the timing of closing, the approval of the Restructuring plan is subject to the approval and discretion of the court handling the bankruptcy petition. In this matter, the court is expected to confirm the plan of reorganization within approximately 45 days after the bankruptcy filing, and Quorum Health and its subsidiaries, including the Hospital, are expected to emerge from bankruptcy within 60 days from the date of the bankruptcy filing

(i.e., likely on or before June 8, 2020). A diagram of the Hospital's ownership before and after emerging from bankruptcy is enclosed as **Exhibit A**.

APPLICABLE LAW

It is our understanding that the Restructuring will not require CON review, and that no other CON-related filings will be required in connection with the Restructuring. Under North Carolina law, a CON is required for the "acquisition by donation, lease, transfer, or comparable arrangement ... if the acquisition would have been a new institutional health service if it had been made by purchase." N.C. Gen. Stat. § 131E-178(b). The term "new institutional health services" is defined to include "[t]he purchase, lease, or acquisition of any health service facility, or portion thereof, or a controlling interest in the health service facility or portion thereof, if the health service facility was developed under a certificate of need issued pursuant to [N.C. Gen. Stat. § 131E-180]." N.C. Gen. Stat. § 131E-176(16)(l). As reflected in **Exhibit A**, the Restructuring will not result in the purchase, lease, or acquisition of the Hospital, nor will it result in the purchase, lease, or acquisition of a controlling interest in the Hospital. Rather, the legal entity that owns and operates the Hospital, and the legal entity that owns all that legal entity's interests, will remain the same following the completion of the Restructuring. The Restructuring will, however, result in a new ultimate parent company, and we understand that the Agency may interpret the Restructuring to constitute an "acquisition."

Although it is our understanding that the Restructuring will not constitute an "acquisition" for purposes of North Carolina CON law, it should be noted that the acquisition of an existing health service facility is, in any event, exempt from CON review pursuant to N.C. Gen. Stat. § 131E-184(a)(8), provided that prior written notice is provided to the Agency. In the event that the Agency determines that the Restructuring will constitute an acquisition of an existing health service facility, please allow this letter to serve as the notice required under N.C. Gen. Stat. § 131E-184(a) and a request for confirmation that the Restructuring is exempt from CON review.

REQUEST FOR DETERMINATION OF REVIEWABILITY

We respectfully request a determination from your office regarding whether the Restructuring is subject to CON review under North Carolina law or will otherwise require action with the Agency. Because, as described above, the timing of the Restructuring is subject to the approval and discretion of the court handling the bankruptcy petition, **we respectfully request the Agency conduct expedited review.** Such expedited review and approval will allow the Hospital to continue providing much needed health care services without interruption or delay. We greatly appreciate your time and consideration during this difficult period. If you have any questions, or if you require any additional information, please do not hesitate to contact me at 615-252-3837 or shoffmann@bradley.com.

Sincerely,

BRADLEY ARANT BOULT CUMMINGS LLP



By: Stephanie M. Hoffmann

Exhibit A

Ownership Diagram Before and After Restructuring

Williamston Hospital Corporation d/b/a Martin General Hospital

OWNERSHIP DIAGRAM

