

**COMMENTS SUBMITTED BY PARK RIDGE HEALTH CONCERNING
THE PETITIONS FILED ON MARCH 2, 2011 REGARDING SMFP POLICY AC-3**

Park Ridge ("Park Ridge") Health operates 62 licensed acute care beds at its hospital in Henderson County, North Carolina. Park Ridge and its predecessors have been serving the citizens of Western North Carolina since 1910. Park Ridge is submitting the following comments on the two petitions filed on March 2, 2011 on SMFP Policy AC-3. One petition was filed by the four academic medical centers ("AMCs") in North Carolina: Duke University Health System, Pitt County Memorial Hospital, University of North Carolina Hospitals and North Carolina Baptist Hospital. The other petition was filed by Novant Health, Inc. Park Ridge opposes the AMCs' petition and supports the petition filed by Novant, for the following reasons.

I. Comments on the AMCs' petition

Park Ridge supports health planning and appreciates the countless hours that the members of the SHCC and the members of the DHSR Medical Facilities Planning Section spend each year developing the need determinations in the SMFP. Under Policy AC-3, the four AMCs are exempt from the need determinations in the SMFP if they can demonstrate certain factors, including that no non-AMC within 20 miles can meet the teaching and research need described in the proposed project. As presently drafted, Policy AC-3 has the potential to undo all of the careful work that the SHCC and Medical Facilities Planning do every year to develop an orderly and rational health plan. In their March 2 petition, the AMCs are now seeking to expand the Policy AC-3 exemption to new medical schools and satellite campuses of medical schools. As explained on page 3 of the Petition, the specific beneficiaries of the proposed expansion are Carolinas Medical Center in Charlotte and Mission Health System in Asheville, because UNC has received Board of Governors' approval to develop campuses in Asheville and Charlotte. See also Exhibit 1, a press release from www.missionhospitals.org, dated October 18, 2010, announcing the expansion of UNC School of Medicine's Asheville campus. As a small, rural hospital, Park Ridge is greatly concerned about Mission (or UNC acting on behalf of Mission) being able to use Policy AC-3 to avoid the health planning process.

Mission has a market share of over 90% in Buncombe County. It has a 36.4% market share in Henderson County. In the past four years, Mission's market share has increased in every county in Western North Carolina. Mission's Henderson County market share has steadily increased over the last five years, even though there are two hospitals in Henderson County, Park Ridge and Margaret R. Pardee Memorial Hospital. Mission owns, or has affiliations with hospitals in Mitchell, McDowell and Transylvania Counties. Mission has proposed a joint venture with Pardee and is also reported to be seeking an affiliation with Angel Medical Center in Franklin, North Carolina. Mission employs more than 130 physicians in the region, including one of the largest practices in Western North Carolina, Asheville Cardiology Associates.

Mission is the undisputed dominant healthcare provider in Western North Carolina. Policy AC-3 would allow Mission to further its dominance in ways that could be devastating to

Park Ridge and other "unaffiliated" hospitals and health care providers in Western North Carolina. Specifically, under the proposed Policy AC-3, Mission, as a satellite of UNC, could propose to add regulated assets such as beds, operating rooms, and MRI scanners even when there is a surplus of these assets. Park Ridge and others not affiliated with a medical school would have to wait until the SMFP shows a need for these assets, which could be many years down the road, if ever. The likely scenario is that Mission would add enough capacity, where they are concerned about competition, so that their competitors would never be able to increase their capacity. In the meantime, Mission could use these assets to attract patients and physicians away from its few remaining competitors in Western North Carolina.

Since it would not be constrained by the planning areas in the SMFP, Mission could propose to add these assets anywhere it wanted, including Henderson County. Park Ridge understands that in Forsyth County, North Carolina Baptist Hospital recently was approved under Policy AC-3 to propose seven new operating rooms to develop an ambulatory surgery center that would perform routine outpatient surgeries such as tonsillectomies and cataracts removal, even though Forsyth County had a surplus of almost six operating rooms. Park Ridge further understands that Baptist's competitor, Forsyth Medical Center, alleged that this ambulatory surgery center could cause Novant losses ranging from \$7 million to \$11 million annually. Forsyth is more than ten times as large as Park Ridge. There is simply no way that a small, rural facility that operates on such fragile margins could survive in an environment where the neighboring tertiary facility has free reign to expand as it deems fit. The AMCs assert on page 15 of their petition that providers who disagree with decisions on Policy AC-3 applications can file litigation, but this is hardly a satisfactory answer. Litigation is extraordinarily expensive, especially for the smaller hospitals, and there is certainly no guarantee of favorable results. A \$1 million lawsuit may not be a problem for large, financially successful hospitals but presents an impossible challenge for smaller facilities. Instead, the better approach is to follow the health planning process and require all providers to follow the need determinations in the SMFP.

The petition suggests that expansion of Policy AC-3 is needed to accommodate a potential physician shortage. The petition does not give any details about why expanding Policy AC-3 is essential to addressing the alleged shortage. Nor does the petition explain why the AMCs (and Mission, if it is allowed to benefit from Policy AC-3) could not use the normal petitioning process that goes on every year at the SHCC to add facilities and services, if the facilities and services are needed to train future physicians. Mission itself has successfully used the normal petitioning process in the past so that it can seek to expand its facilities and services. *See, e.g.*, the CON application that Mission filed on March 15, 2011 to add 51 new acute care beds. There is no reason why it could not do so again in the future as a satellite campus of UNC.

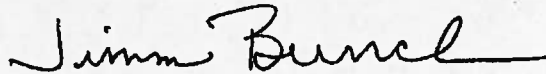
Park Ridge respects the role the AMCs play in research and training future physicians. But the AMCs' proposed amendment to Policy AC-3 goes too far. Any "benefit" to amending Policy AC-3 in the way the AMCs suggest is offset by the serious damage the amendment does not only to the health planning process but also to the viability of facilities like Park Ridge. Park Ridge strongly urges the SHCC not to adopt the AMCs' proposed amendment to Policy AC-3.

II. Comments on the Novant Petition

Park Ridge supports the Novant petition, which would make everyone subject to the need determinations in the SMFP. This is a more equitable, rational and transparent way of health planning, in contrast to the AMCs' approach. Accordingly, Park Ridge urges the SHCC to adopt the Novant petition.

Park Ridge appreciates the opportunity to submit these comments.

Sincerely,

A handwritten signature in black ink that reads "Jimm Bunch". The signature is written in a cursive style with a long horizontal flourish at the end.

**Jimm Bunch, CEO
Park Ridge Health
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Mission News

UNC School of Medicine Announces expansion of Asheville Campus

10/18/2010

Mission Commits \$7 Million to Transform MAHEC Bridge Building Into dedicated Hub for Medical Education on Hospital Campus

Leaders from the University of North Carolina (UNC) School of Medicine today announced an expansion of the school's Asheville Regional Campus, which operates in collaboration with Mission Health System and the Mountain Area Health Education Center (MAHEC).

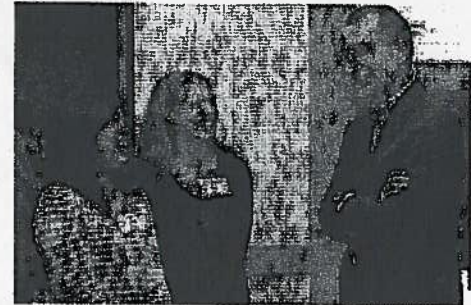
"In these tough economic times, I am pleased that we maintained our commitment to caring for the people of our state by making this expansion a reality," said William L. Roper, MD, MPH, dean of the UNC School of Medicine. "We are seeing an increase in patient volume and a decrease in the number of health care providers. By expanding the School's presence in Asheville, we will improve our capacity to train more physicians, especially rural and primary care physicians, for which the need is most urgent."

The Asheville campus class size will increase from the current six students to up to 10 next year, with a long-term goal of expanding to 20 students per class.

Mission Health System President and CEO Ronald A. Paulus, MD, MBA, also announced that Mission will commit \$7 million to purchase the MAHEC Bridge Building on Biltmore Avenue and transform it into a dedicated center for all medical education activities on the hospital campus. The building will become home to the UNC School of Medicine, the UNC Eshelman School of Pharmacy, future hospital-based residencies and other potential collaborations with UNC in research, patient care and teaching.



Making the announcement Saturday of the expanded medical school in Asheville are, from left, Dale Fell, MD, Mission Chief Medical Officer; Teck Penland, president and CEO of MAHEC, Mountain Area Health Education Center; Ronald A. Paulus, M.D., MBA, President and CEO of Mission Health System; Jeffery Heck, MD, associate dean of the Asheville Regional Campus, and William L. Roper, MD, MPH, dean of the UNC School of Medicine. Blake Madden Photo



Dean William Roper, MD, MPH, dean of the UNC School of medicine, talks with fourth year Asheville campus medical students Pal Liu, left, and Laurie Atterton Meyer. Blake Madden photo

"Mission is proud to continue our long-standing partnership with UNC, MAHEC and our dedicated physician faculty to help train the next generation of physicians and other health professionals here in Western North Carolina," said Paulus. "We see this as critical to Mission's responsibility to advance the long-term health and well-being of this region. In addition to contributing to the health of our people, this expansion will also contribute to the health of our economy by continuing to cultivate a vibrant healthcare sector that spurs jobs and business growth."

Teck Penland, Ph.D., president and CEO of MAHEC, commented that the expansion of the Asheville Regional Campus "is a significant move forward for the entire Western North Carolina region, as it will help to ensure that we have an adequate supply of physicians to meet the increasing healthcare needs of our growing, aging population."

The Asheville Regional Campus, launched in 2008, provides clinical education for third- and fourth-year medical students at Mission Hospital. Currently 10 medical students are enrolled at the Asheville campus, working closely with practicing Mission physicians as their primary teachers and mentors. The campus utilizes an innovative patient-centered curriculum which is now being replicated across the state.

EXHIBIT

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