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STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

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June 21, 2016

Mr. Alva Lambert
Executive Director
State Health Planning and Development Agency
100 N Union Street, Suite 870
Montgomery, AL 36130

**RE: Change of Ownership – Twenty-five (25) inpatient rehabilitation
beds currently owned by South Baldwin Regional Medical Center**

Dear Mr. Lambert,

I am writing this letter on behalf of RehabCare Development 5, LLC d/b/a Kindred Rehabilitation Hospital Baldwin County ("Kindred"). We respectfully submit to the State Health Planning and Development Agency ("SHPDA") this letter and the Notice of Change of Ownership ("CHOW") form that we are filing pursuant to the Certificate of Need Rules and Regulations r. 410-1-7-.04. The proposed change of ownership involves twenty-five (25) inpatient rehabilitation beds currently owned by Foley Hospital Corporation d/b/a South Baldwin Regional Medical Center ("South Baldwin") in Baldwin County, Alabama.

A. Facts

Mercy Medical acquired a Certificate of Need ("CON") to operate these inpatient rehabilitation beds in 1984. In 2011, 101 Villa Drive, LLC purchased these beds from Mercy Medical and the Change of Ownership was approved by SHPDA in CO2011-050. The beds were originally located at the Mobile Bay Rehabilitation Center ("Mobile Bay") and were recently purchased by South Baldwin from 101 Villa Drive, LLC (CO2015-24). The following is a summary of the transaction proposed to take place on or before July 15, 2016.

This transaction is expected to take place on or before July 15, 2016, in which Kindred will purchase the twenty-five ("25") inpatient rehabilitation beds from Foley Hospital Corporation d/b/a South Baldwin Regional Medical Center for an amount the parties have determined to be fair market value. A CON application to purchase and relocate the beds to a new freestanding rehabilitation hospital in Foley, Alabama has been approved by an Administrative Law Judge and no exceptions were filed within the time

period allowed by Certificate of Need Rules and Regulations r. 410-1-8-.06. Pursuant to CON Rules and Regulations r. 410-1-8-.08, the CON should be approved on or about June 22, 2016.

B. Change of Ownership Requirements

The following address the specific criteria required in the Change of Ownership Application:

- i. **Financial Scope of the Project:** This project will include Kindred paying the fair market value for the beds to South Baldwin as due consideration. Kindred purposes to lease a twenty-five (25) bed inpatient rehabilitation facility in Foley, Alabama at a total cost of \$9,191,698 with the first year annual operating cost of \$7,254,098.
- ii. **Services to be Offered:** Through the above-referenced CON application, Kindred will offer inpatient rehabilitation services in Baldwin County, Alabama. Although Kindred currently operates over 1,500 rehabilitation facilities nationwide, Kindred will be offering new services through this CHOW.
- iii. **Addition of New Beds:** The proposed transaction will result in the relocation of twenty-five (25) inpatient rehabilitation beds that are currently not operational to a new inpatient rehabilitation hospital in Foley, Alabama.
- iv. **Conversion of Beds:** The proposed transaction will not result in the conversion of any beds.
- v. **Acquisition of Stock and Assets:** the proposed transaction only involves the sale of twenty-five (25) inpatient rehabilitation beds. No other assets or stock will be acquired as part of this proposed transaction.

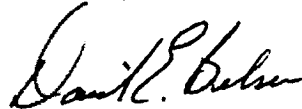
C. Requested Action

Based upon the detailed description of the proposed transaction above and the pending issuance of the CON authorizing this transaction, we respectfully request that SHPDA determine that an additional CON application is not required for the consummation of the proposed change of ownership pursuant to r. 410-1-7-.04(2) of the Certificate of Need Rules and Regulations. Furthermore, we request that this CHOW be approved as soon as possible and at least by June 30, 2016. In accordance with the SHPDA Rules and Regulations, a check in the amount of \$2,500 made payable to the Alabama State Health Planning and Development Agency will be paid within the next business day.

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Should you have any questions or need further information, please do not hesitate to contact my office. Thank you in advance for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "David E. Belser". The signature is fluid and cursive, with the first name "David" and last name "Belser" clearly distinguishable.

David E. Belser

DEB/aac

CHANGE OF OWNERSHIP**Part I: Purchasing Organization Information**Name of Organization: Kindred Healthcare, Inc.Facility Name:
(ADPH Licensure name) RehabCare Development 5, LLC d/b/a Kindred
Rehabilitation Hospital Baldwin County

SHPDA ID Number: _____

Address (PO Box #): 680 South 4th StreetCity, State, Zip, County: Louisville, KY 40202Number/Type Licensed Beds: 25 inpatient rehabilitation bedsOwner(s): Kindred Healthcare, Inc.Operator(s): Kindred Healthcare, Inc.**Part II: Selling Organization Information**Name of Organization: Foley Hospital Corporation d/b/a South Baldwin
Regional Medical CenterAddress (PO Box #): 1613 N. McKenzie StreetCity, State, Zip, County: Foley, Alabama 36535, Baldwin CountyNumber/Type Licensed Beds: 25 Inpatient Rehabilitation BedsOwner(s): Foley Hospital Corporation is a wholly owned subsidiary of
Community Health Investment Company, LLC, which is a
wholly owned subsidiary of Community Health Systems, Inc.Operator(s): Foley Hospital Corporation; CHSPSC, LLC**Part III: Value of Consideration**Monetary Value of Purchase: Please see attached letter. No./Type Beds 25 Inpatient
Rehabilitation bedsTerms of Purchase: Please see attached letter.
(add more pages as necessary to describe the sale)

Part IV: List of Certificate of Need AuthorityNumber of Beds: 25Types of Institutional Health Services: Inpatient Rehabilitation bedsList Service Area by County for Home Health Agencies: N/A**On an Attached Sheet Please Address the Following:**

*1.) The financial scope of the project to include the preliminary estimate of costs broken down by equipment, construction, and yearly operating costs.

*2.) The services to be offered by the proposal (the applicant will state whether he has previously offered the service and whether the service is an extension of a presently offered service, or whether the service is a new service).

*3.) Whether the proposal will include the addition of any new beds.

*4.) Whether the proposal will involve the conversion of beds.

*5.) Whether the assets and stock (if any) will be acquired.

Part V: Certification of Information

I certify that I agree to provide the information necessary (financial, utilization of services and beds, etc.) so the new owner can have the necessary information to complete reports as necessary for the entire fiscal year. The purchaser has agreed to these terms.

Seller(s) Signature(s):

Owner(s):

Operator(s):

Title/Date:

I certify that I will be responsible for retaining records as necessary to complete reports required for the entire fiscal year, and agree to these terms. I have enclosed a check in the amount of \$2,500 made payable to 'Alabama State Health Planning and Development Agency' to cover the cost of the change of ownership.

☒ YES ☐ NO

The above Purchaser and Seller have agreed to these purchase terms.

Purchaser Signature:

Title/Date: