

**Holly S. Hosford**

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**Bradley**

August 3, 2016

**VIA ELECTRONIC FILING**

Mr. Alva Lambert  
Executive Director  
State Health Planning and Development Agency  
100 North Union Street  
RSA Union Building  
Suite 870  
Montgomery, AL 36130-3025

AUG 03 2016

**RE: Change of Ownership – D.W. McMillan Home Health  
(Attachment to Change of Ownership Form)**

Dear Mr. Lambert:

We respectfully submit to the State Health Planning and Development Agency (“SHPDA”) this letter as an attachment to the Notice of Change of Ownership form that we are filing pursuant to Chapter 410-1-7-.04, Rules and Regulations of the Alabama Certificate of Need Program (the “Rules”). The proposed change of ownership involves the transfer of 100% of the assets currently owned and operated by Escambia Healthcare Authority d/b/a D.W. McMillan Memorial Hospital (the “Hospital”) as D.W. McMillan Home Health in Brewton, Escambia County, Alabama. The following summarizes the transaction proposed to take place on or about September 1, 2016, and addresses SHPDA requirements for a change of ownership.

**A. Facts**

The Hospital offers home health services in Escambia, Baldwin, Covington, Conecuh, and Monroe Counties under the trade name D.W. McMillan Home Health. The Hospital initiated and continues to operate its home health operations pursuant to the rural hospital exemption provisions found at Alabama Code section 22-21-263(a)(4).

The Hospital will transfer 100% of the assets owned and operated by Hospital in connection with D.W. McMillan Home Health to LHCG LXXXIV, LLC (the “Company”), a newly formed Alabama limited liability company wholly owned by Alabama Health Care Group, LLC (a wholly-owned subsidiary of LHC Group, Inc., and referred to herein as “LHC Alabama”), in exchange for (i) a cash payment plus (ii) 25% of the membership interest in the Company, together determined to be fair market value payment. Upon closing of the transaction, LHC Alabama will hold 75% and Hospital will hold 25% of all membership interests of the Company.

Because the home health agency was initiated under the rural hospital exemption, the following additional provisions will be made a part of the joint venture operating agreement for LHCG LXXXIV, LLC:

1. Subject to the hospital’s consent, the name of the hospital will be included in the name of the home health agency.

2. LHC Alabama will be prohibited from taking on duties and/or services that are otherwise reserved to the rural hospital by Alabama or federal law.

3. Upon the dissolution of the joint venture, all regulatory authority to own and operate the home health agency will remain with the hospital.

4. The hospital will have 50% voting rights in all joint venture decisions.

5. The day to day management of the joint venture operations will be conducted by a manager under the oversight and direction of a Management Committee, on which the hospital will have equal representation with LHC Alabama. The Management Committee will oversee and direct all clinical operations of the home health agency. The clinical operations shall include maintaining and implementing policies and procedures with respect to operational management, quality of care, provision of services, compliance, personnel, medical records, physical environment, and use of supplies. The Management Committee may not take or recommend any action which may affect the home health agency's licensure or Medicare certification or which would violate any state or federal law or regulation.

6. In the event the manager defaults in the performance of its duties under its management agreement and is not removed after a demand for removal by the hospital, or the parties cannot agree on a new manager, the hospital, at its option, may exercise its default option to purchase the interest of LHC Alabama in the joint venture at fair market value or demand a dissolution of the joint venture. LHC Alabama will not have an option to purchase the hospital's interest in the LLC.

7. The joint venture will be required to ensure continuity of care and further the mission of the hospital, and in the furtherance thereof, the joint venture will admit any patient for home health services who is referred by the hospital, as long as the patient's needs meet the eligibility criteria set up by the Management Committee and established by the patient's payor source.

8. An authorized representative of the hospital will have the reasonable right to access and examine records and information of the joint venture to ensure compliance with all the provisions of the joint venture documents.

9. The joint venture will not be allowed to offer or provide services other than home health services without the express consent of the hospital.

10. The office for the home health agency will be located within a 10-mile radius of the main campus of the hospital.

**B. SHPDA Requirements for Change of Ownership**

In answer to the specific questions posed in the Change of Ownership Application, please note the following:

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Re: D. W. McMillan Home Health  
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1. The Financial Scope of the Project. The financial scope of the project will encompass the fair market value payment that LHC Alabama will make to the Hospital as Consideration for the transfer of 100% of the assets of D.W. McMillan Home Health to the Company.

2. Services to be Offered. The contemplated transaction will not result in any new or additional services to those already being provided by D.W. McMillan Home Health.

3. Whether the Proposal Will Include the Addition of Any New Beds. The contemplated transaction will not result in the addition of new beds.

4. Whether the Proposal Will Involve the Conversion of Beds. The contemplated transaction will not result in the conversion of beds.

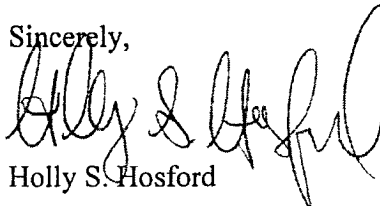
5. Whether the Assets and Stock (if any) Will be Acquired. As described more particularly above, The Hospital will transfer all of the assets it owns in connection with its provision of home health services to the Company, in which LHC Alabama will hold 75% and Hospital will hold 25% of all membership interests.

**C. Requested Action**

Based upon the above description of the proposed transaction and a showing that there will be no change in health services, conversion of beds, or increase or decrease in bed capacity, we respectfully request that you exercise your authority under Chapter 410-1-7-.04(2) of the Rules and determine that a certificate of need is not required for the consummation of the proposed transaction. In accordance with the SHPDA Rules, a check in the amount of \$2,500 made payable to the Alabama State Health Planning and Development Agency will be delivered to the SHPDA office by Federal Express.

Should you have any questions or need further information, please feel free to contact me at the number or address listed above. Thank you in advance for your assistance with this matter.

Sincerely,



Holly S. Hosford

HSH/mgd  
Enclosures

**CHANGE OF OWNERSHIP**

1/28/03 10:16

**Part I: Purchasing Organization Information**Name of Organization: LHCG LXXXIV, LLCFacility Name:  
(ADPH Licensure name) D.W. McMillan Home HealthAddress (PO Box #): 901 Hugh Wallis Road SouthCity, State, Zip, County: Lafayette, LA 70508, Lafayette ParishNumber/Type Licensed Beds: Not ApplicableOwner(s): Alabama Health Care Group, LLC (75%); Escambia Healthcare Authority d/b/a D.W. McMillan Memorial Hospital (25%)Operator(s): Alabama Health Care Group, LLC; Escambia Healthcare Authority d/b/a D.W. McMillan Memorial Hospital**Part II: Selling Organization Information**Name of Organization: Escambia Healthcare Authority d/b/a D.W. McMillan Memorial HospitalAddress (PO Box #): 1301 Belleville AvenueCity, State, Zip, County: Brewton, AL 36426Number/Type Licensed Beds: Not ApplicableOwner(s): Escambia Healthcare AuthorityOperator(s): Escambia Healthcare Authority**Part III: Value of Consideration**Monetary Value of Purchase: \$ See attached No./Type Beds: Not applicableTerms of Purchase: See attached description of the transaction.  
(add more pages as necessary to describe the sale)**Part IV: List of Certificate of Need Authority**Number of Beds: Not applicableTypes of Institutional Health Services: Home Health ServicesList Service Area by County for Home Health Agencies: Escambia, Baldwin, Covington, Conecuh, and Monroe Counties

**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): Escambia County Healthcare Authority LHW B AT  
Owner(s): DBA D.W. M. M. Millan Memorial Hospital  
Escambia County Healthcare Authority  
Operator(s): DBA D.W. M. M. Millan Memorial Hospital LHW B AT  
CHEN Z. G. FAN  
Title/Date: Administrative/Executive Secretary 8/2/16

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: \_\_\_\_\_

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- \*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.

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**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 **\$1,000** 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: \_\_\_\_\_

*[Signature]*    *David Stelly*  
*President, LLC Group, Inc.*    *8/2/16*