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Jul 11 2019

STATE HEALTH PLANNING AND
DEVELOPMENT AGENCY

July 11, 2019

VIA ELECTRONIC FILING

Mrs. Emily Marsal
Executive Director
State Health Planning and Development Agency
100 North Union Street
RSA Union Building
Suite 870
Montgomery, AL 36130-3025

**RE: Change of Ownership – Atmore Community Home Care
(Attachment to Change of Ownership Form)**

Dear Mrs. Marsal:

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 home health assets currently owned and operated by Escambia County Alabama Community Hospitals, Inc. d/b/a Atmore Community Hospital (the “Atmore Hospital”), a wholly-owned subsidiary of Escambia County Health Care Authority, doing business as Atmore Community Home Care in Atmore, Escambia County, Alabama. The following summarizes the transaction proposed to take place on or about August 1, 2019, and addresses SHPDA requirements for a change of ownership.

A. Facts

The Atmore Hospital offers home health services in Escambia, Baldwin, Conecuh and Monroe Counties under the trade name Atmore Community Home Care (the “Atmore Home Health Agency”). The home health operations were initiated pursuant to the rural hospital exemption provisions found at Alabama Code section 22-21-263(a)(4)(the “Atmore Home Health Exemption”).

The Atmore Hospital will transfer 100% of the assets owned and operated by the Atmore Hospital in connection with Atmore Community Home Care to LHCG LXXXIV, LLC (the “Company”), an existing Alabama limited liability company owned by Escambia County Health Care Authority (the “Authority”) and Alabama Health Care Group, LLC (a wholly-owned subsidiary of LHC Group, Inc., and referred to herein as “LHC Alabama”), in exchange for a cash payment determined to be fair market value payment. LHC Alabama holds 75% and the Authority holds 25% of all membership interests of the Company.

The Company currently owns and operates a rural home health agency originally initiated by the Authority for D.W. McMillan Memorial Hospital located in Brewton, Alabama (the “Brewton Hospital”), and transferred to the Company in 2016. Therefore, provisions are already

in place as a part of the joint venture operating agreement (the "Operating Agreement") for the Company to address the considerations required for a home health agency initiated under the rural hospital exemption.

In connection with the closing of this transaction, the Operating Agreement will be amended to: (i) extend the current Operating Agreement provisions addressing the rural hospital exemption to the Atmore Hospital home health agency; (ii) ensure that if the Authority ever ceases to own or control the Atmore Hospital, then the Company will cease to have authorization from SHPDA to own and operate the Atmore Home Health Agency, and that the Atmore Home Health Exemption will revert to the Atmore Hospital; and (iii) affirm that the Company and its owners acknowledge that the Atmore Home Health Agency does not have authorization from SHPDA to operate at any point in the future as an independent home health agency, but rather only as a home health agency tied to the Atmore Hospital pursuant to the rural hospital exemption provisions found at Alabama Code section 22-21-263(a)(4).

The Operating Agreement provisions, as applied to the Atmore Home Health Agency, will include the following:

1. Subject to the Atmore Hospital's consent, the name of the Atmore Hospital will be included in the name of the Atmore 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 Atmore Home Health Agency will remain with the Atmore Hospital.
4. The Authority, as the sole owner of the Atmore 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 Authority, as the sole owner of the Atmore Hospital, will have equal representation with LHC Alabama. The Management Committee will oversee and direct all clinical operations of the Atmore 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 Atmore 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 Authority, as the sole owner of the Atmore Hospital, or the parties cannot agree on a new manager, the Authority, 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 Authority's interest in the LLC.

7. The joint venture will be required to ensure continuity of care and further the mission of the Atmore Hospital, and in the furtherance thereof, the joint venture will admit any patient for home health services who is referred by the Atmore 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 Authority, as the sole owner of the Atmore 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 Authority.

10. The office for the Atmore Home Health Agency will be located within a 10-mile radius of the main campus of the Atmore Hospital.

11. The Authority will, at all times, retain 100% ownership and control over the Atmore Hospital and, if the Authority ever ceases to have 100% ownership and control over the Atmore Hospital, the Company's authorization from SHPDA to own and operate the Atmore Home Health Agency will cease and revert to the Atmore Hospital.

Following the proposed transaction, the Authority (i) commits to dissolving Atmore Community Home Care, LLC no later than eighteen (18) months after the closing of the proposed transaction, (ii) commits to filing a report with SHPDA confirming the dissolution of Atmore Community Home Care, LLC following such dissolution, and (iii) affirms that the sole member of Atmore Community Home Care, LLC will remain Escambia County Alabama Community Hospitals, Inc. until the entity is dissolved.

B. SHPDA Requirements for Change of Ownership

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

1. The Financial Scope of the Project. The financial scope of the project will encompass the fair market value payment that the Company will make to the Atmore Hospital as Consideration for the transfer of 100% of the assets of Atmore Community Home Care to the Company. The proposed transaction does not contemplate new costs exceeding the following expenditure thresholds: (i) \$2,997,918 for major medical equipment; (ii) \$1,199,166 for new annual operating costs; and (iii) \$5,995,836 for capital expenditures.

2. Services to be Offered. The contemplated transaction will not result in any new or additional services to those already being provided by Atmore Community Home Care.

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.

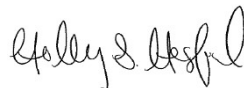
5. Whether the Assets and Stock (if any) Will be Acquired. As described more particularly above, the Atmore Hospital will transfer all of the Atmore Home Health Agency assets it owns to the Company, in which LHC Alabama holds a 75% membership interest and the Authority holds a 25% membership interest.

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

Enclosures

Jul 11 2019

STATE HEALTH PLANNING AND
DEVELOPMENT AGENCY**NOTICE OF CHANGE OF OWNERSHIP/CONTROL**

The following notification of intent is provided pursuant to all applicable provisions of ALA. CODE § 22-21-270 (1975 as amended) and ALA. ADMIN. CODE r. 410-1-7-.04. This notice must be filed at least twenty (20) days prior to the transaction.

- ☒ Change in Direct Ownership or Control (of a vested Facility; ALA. CODE §§ 22-20-271(d), (e))
☐ Change in Certificate of Need Holder (ALA. CODE § 22-20-271(f))
☐ Change in Facility Management (Facility Operator)
Any transaction other than those above-described requires an application for a Certificate of Need.

Part I: Facility Information

SHPDA ID Number: **053-H7142**
(This can be found at www.shpda.alabama.gov, Health Care Data, ID Codes)

Name of Facility/Provider: **Atmore Community Home Care**
(ADPH Licensure Name)

Physical Address: **810 E. Craig Street**
Atmore, AL 36502

County of Location: **Escambia County**

Number of Beds/ESRD Stations: **Not applicable**

CON Authorized Service Area (Home Health and Hospice Providers Only). Attach additional pages if necessary. **Baldwin, Conecuh, Escambia, and Monroe Counties.**

Part II: Current Authority (Note: If this transaction will result in a change in direct ownership or control, as defined under ALA. CODE § 22-20-271(e), please attach organizational charts outlining current and proposed structures.)

Owner (Entity Name) of
Facility named in Part I: **Escambia County Alabama Community Hospitals,
Inc.**

Mailing Address: **401 Medical Park Dr.**
Atmore, AL 36502

Operator (Entity Name): **Escambia County Alabama Community Hospitals,
Inc.**

Part III: Acquiring Entity Information

Name of Entity: LHCG LXXXIV, LLC

Mailing Address: 901 Hugh Wallis Road South
Lafayette, LA 70508

Operator (Entity Name): Alabama Health Care Group, LLC

Proposed Date of Transaction is on or after: August 1, 2019

Part IV: Terms of Purchase

Monetary Value of Purchase: See attached letter.

Type of Beds: Not applicable.

Number of Beds/ESRD Stations: Not applicable.

Financial Scope: to Include Preliminary Estimate of the Cost Broken Down by Equipment, Construction, and Yearly Operating Cost:

Projected Equipment Cost: See attached letter.

Projected Construction Cost:

Projected Yearly Operating Cost:

Projected Total Cost:

On an Attached Sheet Please Address the Following:

- 1.) The services to be offered by the proposal (the applicant will state whether he has previously offered the service, whether the service is an extension of a presently offered service, or whether the service is a new service).
- 2.) Whether the proposal will include the addition of any new beds.
- 3.) Whether the proposal will involve the conversion of beds.
- 4.) Whether the assets and stock (if any) will be acquired.

Part V: Certification of Information**Current Authority Signature(s):**

The information contained in this notification is true and correct to the best of my knowledge and belief.

Owner(s):

Operator(s):

Title/Date:

Dale Lamm
Dale Lamm
President 6/27/2019

SWORN to and subscribed before me, this 27th day of June, 2019.

(Seal)

A-84

Notary Public

My Commission Expires: 1-4-2020**Acquiring Authority Signature(s):**

I agree to be responsible for reporting of all services provided during the current annual reporting period, as specified in ALA. ADMIN. CODE r. 410-1-3-.12. The information contained in this notification is true and correct to the best of my knowledge and belief.

Purchaser(s):

Operator(s):

Title/Date:

SWORN to and subscribed before me, this _____ day of _____, _____.

(Seal)

Notary Public

My Commission Expires: _____

Author: Alva M. Lambert

Statutory Authority: § 22-21-271(c), Code of Alabama, 1975

History: New Rule

SWORN to and subscribed before me, this _____ day of _____, _____.

(Seal)

Notary Public

My Commission Expires: _____

Acquiring Authority Signature(s):

I agree to be responsible for reporting of all services provided during the current annual reporting period, as specified in ALA. ADMIN. CODE r. 410-1-3-.12. The information contained in this notification is true and correct to the best of my knowledge and belief.

Purchaser(s): _____

Operator(s): _____

Title/Date: Donald Stelly, President 05/21/2019

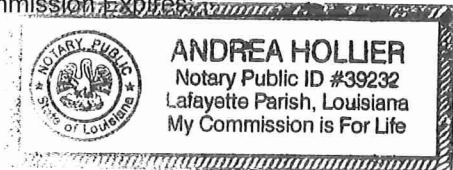
SWORN to and subscribed before me, this 21 day of May, 2019.

(Seal)

Andrea H

Notary Public

My Commission Expires: _____



Author: Alva M. Lambert

Statutory Authority: § 22-21-271(c), Code of Alabama, 1975

History: New Rule