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DEC 23 2016

**STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY**

December 23, 2016

Alva M. Lambert
Executive Director
State Health Planning and Development Agency
100 North Union Street
Montgomery, Alabama 36104

RE: RCHP-Florence, LLC, d/b/a North Alabama
Medical Center, CON Project AL2012-013
Certificate of Need No. 2635-H

Dear Mr. Lambert:

In compliance with the instruction contained in your letter of December 2, 2016, accompanying this letter is an electronically filed version of a request for Project Modification of the Certificate of Need referenced above. As previously discussed, North Alabama Medical Center ("NAMC") has, in its facility design, reduced the number of approved beds from 280 to 263 beds. This reduction reflects the decision of NAMC management to relocate all twenty (20) of Eliza Coffee Memorial Hospital's ("ECM") psychiatric beds to Shoals Hospital rather than build-out an entire floor of the proposed replacement hospital for ECM to accommodate 17 psychiatric beds as originally proposed.

The filing fee, payable to SHPDA in the amount of seven thousand, one hundred and ninety dollars and five cents (\$7,190.05), has been paid on SHPDA's Electronic Payment Portal. The filing fee amount represents 35% of the Certificate of Need filing fee that accompanied NAMC's original Certificate of Need application. The printed original request will be sent by overnight delivery. Copies to affected parties will be sent by regular U.S. mail.

If you have any questions, please don't hesitate to contact me.

Sincerely,

Noel Falls

CC: Russell E. Pigg
Russell Rutherford, Esq.

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DEC 23 2016

**STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY**

**BEFORE THE STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY OF THE STATE OF ALABAMA**

IN THE MATTER OF:

**RHCP-FLORENCE, LLC, d/b/a NORTH
ALABAMA MEDICAL CENTER**

**Request for Project Modification to reflect a decrease)
in the cost of construction, a decrease in first year)
operating costs, and a reduction from 280 total beds)
to 263 total beds)**

**Project No. AL 2012-013
Certificate of Need No. 2635-H**

REQUEST FOR PROJECT MODIFICATION

COMES NOW RCHP-Florence, LLC, d/b/a North Alabama Medical Center ("NAMC") a/k/a Eliza Coffee Memorial Hospital ("ECM"), pursuant to the Alabama Certificate of Need Program Rules and Regulations ("CON Rules") § 410-1-10-.03, and in relation to CON Project No. AL 2012-013 and Certificate of Need Number 2635-H for the replacement and relocation of Eliza Coffee Memorial Hospital in Lauderdale County, Alabama ("Project"), to respectfully request that CON No. 2535-H be modified to reflect a reduction in the total cost of the project and a reduction in the number of total beds.

Certificate of Need No. 2635-H was originally issued on August 5, 2013, to North Alabama Medical Center for the replacement and relocation of the existing 358-bed hospital, Eliza Coffee Medical Center, with a 280-bed regional medical center which was to consist of 263 acute care beds and 17 psychiatric beds. The total project cost was estimated to be \$429,343,071.00. A copy of CON No. 2635-H is attached hereto as Exhibit "A".

During the two year period from which the Final Order of the Certificate of Need Review Board for CON No. 2635-H was issued and the appeal process was completed¹, the management of NAMC undertook a complete, pre-development review of the existing market conditions of northwestern Alabama. The purpose of this review was to determine what, if any, changes should be made in the services offered through the replacement hospital that could affect the design of the facility, its financial feasibility, and the potential impact on other existing corporate assets.

¹ CON No. 2635-H was appealed through both the Circuit Court of Montgomery County and the Court of Civil Appeals, both of which resulted in the final order of the Certificate of Need Review Board being upheld. The decision of the Court of Civil Appeals was dated July 14, 2015.

On August 11, 2016, a project status report was filed with the State Health Planning and Development Agency ("SHPDA") on behalf of NAMC. This report disclosed a reduction in the amount of the construction budget from \$224,793,869.00 to \$223,300,000.00, a total decrease of \$1,493,869.00. On August 18, 2016, Alva Lambert, SHPDA's Executive Director, responded and found that NAMC had provided evidence of a firm commitment to proceed with the project. A copy of the August 11, 2016, project status report and Mr. Lambert's response of August 18, 2016, are attached hereto as Exhibit "B".

In response to a telephone call on August 30, 2016, between Noel Falls, health planning consultant to NAMC, and Mr. Lambert, a letter clarifying the underlying design changes that resulted in the \$1.5 million reduction in construction costs for NAMC was submitted to SHPDA on September 2, 2016. A response from Mr. Lambert, dated September 9, 2016, was received on September 13, 2016. A copy of the letter of September 2, 2016, and its response, are attached hereto as Exhibit "C".

On October 28, 2016, Mr. Falls sent a letter to SHPDA setting forth his understanding of SHPDA's position as of August 30, 2016, regarding NAMC's \$1.5 million reduction of its construction budget and the downsizing of the design by seventeen (17) beds, from 280 to 263 beds. A letter from SHPDA, dated December 2, 2016, and received by Mr. Falls on December 5, 2016, further clarified SHPDA's position related to the bed reduction at NAMC, stating that NAMC must submit a Request for Project Modification. A copy of the October 28, 2016, letter and the December 2, 2016, letter are attached hereto as Exhibit "D".

The major findings of management's design review, as disclosed in NAMC's Project Status Report, dated August 11, 2016, resulted in design changes that eliminated approximately \$1.5 million in construction costs. A major consideration by the management team, ultimately resulting in the changes in facility design, was the potential impact that the original design concept for NAMC may have on Shoals Hospital, an affiliated facility located in Colbert County, approximately five miles from the site of the replacement hospital.

Shoals Hospital is a 178-bed general acute care hospital located in Muscle Shoals. During the fiscal year ending September 30, 2015, Shoals Hospital reported a total of 22,107 patient days, resulting in an average annual occupancy rate of 34 percent. Approximately 76% of the patient days reported by Shoals Hospital were attributable to Medicare and Medicaid beneficiaries. Only 945 of the 3,141 insured inpatients reported during 2015 were covered by insurers other than Medicare and Medicaid. There were also 145 inpatients classified as "self-pay" during the reporting period. In general, self-pay patients contribute significantly to a facility's bad debt and other uncompensated care amounts.

There will be little difference in geographic accessibility for residents of Colbert County when comparing the existing location of Eliza Coffee Memorial Hospital and the site of its replacement hospital. There are less than one mile and one minute in distance and travel time, respectively, between the two sites and the geographic epicenter of Colbert County's population (34°43'13.2"N+87°40'53.6"W). However, because there is a high degree of homogeneity between the medical staffs of Shoals Hospital and NAMC, the management team concluded that the risk of reducing even a small number of inpatients with commercial and other non-governmental insurance at Shoals Hospital could result in a substantial reduction in net revenue at that facility. Because Shoals Hospital also offers both general acute care and psychiatric services, management concluded the loss could occur from both services unless the NAMC design eliminated the psychiatric component.

As part of their review, management also considered the distribution of beds, patients, and patient days at Shoals Hospital. Although 65.2% of the licensed beds at Shoals Hospital are allocated to medical/surgical services, only 34.1% of total patient days were attributable to those services. In contrast, 16.9% of beds and 19.3% of patient days were attributable to psychiatric services and 18.0% of beds and 46.5% of patient days were attributable to inpatient rehabilitation services.

Eliza Coffee Memorial Hospital currently operates a 20-bed psychiatric unit and does not offer inpatient rehabilitation. Under Certificate of Need No. 2635-H as issued, Eliza Coffee Memorial Hospital will relocate 17 psychiatric beds to NAMC. Under the current CON, the three remaining psychiatric beds, as well as the 75 acute care beds not relocated to NAMC, would be returned to inventory after the replacement facility is licensed.

NAMC projected, in its Certificate of Need application, that the psychiatric unit of the replacement hospital would contribute only 7.8% of total patient days during the facility's first year of operation and 6.7% of total patient days during its second year of operation. Based on Eliza Coffee Memorial Hospital's experience in operating the 20-bed psychiatric unit, it is estimated that the proposed 17-bed unit at NAMC would contribute approximately \$5.2 million in net revenue and create approximately \$4.2 million in operating expenses. Based on the projections contained in NAMC's Certificate of Need application, it was determined that by eliminating the psychiatric unit from the proposed replacement hospital, it would result in an average reduction of only 2.5% in gross profit (income after operating expenses but before the deduction of interest, depreciation and capital expenditures).

After the further deduction of interest and depreciation, the elimination of the psychiatric unit at NAMC would be expected to have a negligible impact on projected net income and cash flow, and would have no

detrimental impact on the financial feasibility of the facility. Furthermore, elimination of the 17-bed psychiatric unit would reduce the construction budget by an estimated \$1.5 million and reduce operating costs by more than four million dollars.

In contrast, in relocating the existing 20-bed psychiatric unit from Eliza Coffee Memorial Hospital to Shoals Hospital, the latter hospital would be expected to experience an increase in net revenue of 12 percent, an increase in operating expenses of 10.5 percent, and an increase in net income of more than \$1.0 million, reflecting an improvement of nearly 60 percent. Cash flow at Shoals Hospital would be expected to increase by nearly 130 percent.

To summarize, during the period that CON No. 2635-H was making its way through the appeals process², NAMC management determined that reducing the number of beds at the replacement hospital would result in improved efficiency at NAMC and provide for a reduction in both capital and operating costs at that facility, without creating any detrimental effect on the community's access to care or NAMC's financial feasibility. In this regard, the capital cost was reduced by \$1,493,869.00. Annual operating costs will be reduced by an estimated \$4.2 million.

The design change and bed reduction at NAMC will have a positive impact on the economic health of Shoals Hospital and foster opportunities for operating efficiencies and cost containment by consolidating support services for the existing 30-bed psychiatric unit at Shoals Hospital and the proposed 20-bed psychiatric unit to be relocated from Eliza Coffee Memorial Hospital. In this regard, a separate Certificate of Need application will be submitted for review at the appropriate time, following SHPDA's review and consideration of NAMC's Project Modification Request.

Attached hereto as Exhibit "E" is a modified version of the project cost table that appeared on page 11 of the Certificate of Need application. Also attached hereto as Exhibit "F" is a modified version the utilization data table appearing on page 98 of the Certificate of Need application.

² Under Chapter 410-1-11-.01 of the CON Rules, the running of the duration of the initial 12-month period, or extension thereof, shall be tolled from the date of the filing of a civil action arising under any of the provisions of Title 22, Chapter 21, Article 9, Alabama Code, 1975, being §§ 22-21-260 through -278, or other judicial proceeding until such action is dismissed from the judicial process.

Based on the information contained herein, the undersigned respectfully requests that Certificate of Need 2635-H be modified as follows: (a) the dates now shown in items #2 and #3, respectively, should be changed to reflect the approval date of the Project Modification Request and a termination date falling 12 months from the approval date of the Modification Request; and (b) the number of beds now shown in item #9 should be changed from 280 to 263 beds, reflecting the reduction of 17 psychiatric beds at NAMC. Optionally, the estimated cost of the project now shown in item #10 may be changed to \$423,649,560.00, reflecting the reduction in construction costs of \$1,493,869.00 and an estimated reduction of operating costs in the amount of \$4,199,642 related to the elimination of the proposed 17-bed psychiatric unit in NAMC's design. Finally, the "Services to be Provided" section, now shown in item #11 should be modified to read, **"The applicant will replace the existing 358-bed facility with a 263-bed regional medical center, consisting entirely of acute care beds, and relocated to a new campus in Lauderdale County. The new 263-bed regional medical center will be licensed and operated by RCHP Florence, LLC, d/b/a North Alabama Regional Medical Center, and will continue to provide all existing services except inpatient psychiatric care, which, under a separate Certificate of Need application, will be proposed to be relocated from Eliza Coffee Memorial Hospital to Shoals Hospital, located in Colbert County."**

[REMAINDER OF THE PAGE LEFT INTENTIONALLY BLANK]

THEREFORE, THE ABOVE PREMISES CONSIDERED, NAMC respectfully requests that the Certificate of Need referenced herein be modified in the manner as described immediately above, and that a replacement Certificate of Need be issued to NAMC at the earliest possible date permitted under law.

CERTIFICATION

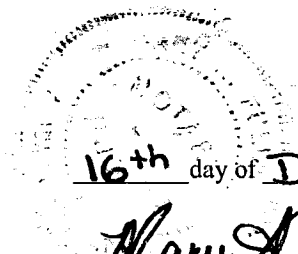
The information contained in this request for Project Modification is true and correct to the best of my knowledge and belief.



Signature of Applicant

RUSSELL PIGG, CEO

Applicant's Name and Title
(Type or Print)



16th day of December 20 16



Notary Public (Affix Seal on Original)



**Request for Project Modification
Attachment "A"
Certificate of Need 2635-H**



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

100 NORTH UNION STREET, SUITE 870
MONTGOMERY, ALABAMA 36104

August 5, 2013

Noel Falls
President
Falls Marketing Group
152 S. School Street
Fairhope, AL 36532

RE: AL2012-013
North Alabama Medical Center
f/k/a Eliza Coffee Memorial Hospital

Dear Mr. Falls:

Reference is made to your application for review under Title 22, Chapter 21, Article 9, Code of Alabama, 1975 and the *Alabama Certificate of Need Program Rules and Regulations*.

Rule 410-1-8-.08 of the *Alabama Certificate of Need Program Rules and Regulations* provides that a Certificate of Need shall be issued within thirty (30) days after the decision of the Certificate of Need Review Board is deemed final. The final order of the Certificate of Need Review Board, which adopted the Administrative Law Judge's order with modifications, was mailed to you on July 5, 2013. Enclosed is Certificate of Need 2635-H.

When valid contracts are signed for the project, please notify this Agency and enclose a copy. Please be aware that the *Rules and Regulations* address situations such as project modifications after issuance of the CON, cost overruns, failure to incur the obligation, and failure to commence construction, as well as other stipulations. You must abide by the *Rules and Regulations* and inform the Agency prior to undertaking any of the above conditions.


You are requested to provide the Agency with a progress report every six months until completion of this project. Upon completion, you should also submit a final report detailing total expenses for this project.

Sincerely,

Alva M. Lambert
Executive Director

AML: cb
cc: Ray Sherer
Laurence J. McDuff, Esq.
Richard J. Brockman, Esq.
Jeff Ingram

**ALABAMA
STATE HEALTH PLANNING & DEVELOPMENT AGENCY
CERTIFICATE OF NEED
FOR HEALTH CARE SERVICES**

I. IDENTIFICATION		
1. Certificate of Need 2635-H	2. Date Issued: August 5, 2013	3. Termination Date: August 4, 2014
4. Project Number: AL2012-013	5. Name of Facility: North Alabama Medical Center f/k/a Eliza Coffee Memorial Hospital	
6. Service Area: Lauderdale County	7. Location of Facility: 205 Marengo Street Florence, Alabama 35631	
8. Type of Facility: Hospital	9. Number of Beds: 280	10. Estimated Cost: \$429,343,071.00
11. Services to be provided: The applicant will replace the existing 358-bed facility with a 280-bed regional medical center, which shall be comprised of 263 acute care beds and 17 psychiatric beds, and relocate it to a new campus in Lauderdale County. The new 280-bed medical center will be licensed and operated as RCHP Florence, LLC d/b/a North Alabama Regional Medical Center and will continue to provide all its existing services.		
II. CERTIFICATE OF NEED		
In accordance with Section 22-21-264 through 22-21-279, <u>Code of Alabama</u> , 1975, the Certificate of Need Review Board finds as follows:		
1. There is a need for the project.		
2. There are in force in the State of Alabama reasonable minimum standards of licensure and methods of operation for hospitals and health facilities.		
3. The prescribed standards of licensure and operation will be applied and enforced with respect to the applicant, hospital or other health facility.		
III. ISSUANCE OF CERTIFICATE OF NEED		
This Certificate of Need is issued to North Alabama Regional Medical Center f/k/a Eliza Coffee Memorial Hospital only, for a period not to exceed 12 months from the date of issuance. This Certificate of Need is not transferable and any action on the part of the Applicant to transfer this Certificate of Need will render the Certificate of Need null and void.		
<div style="display: flex; justify-content: space-between;"><div style="width: 40%;">ORIGINAL</div><div style="width: 50%; text-align: right;"> Alva M. Lambert Executive Director</div></div>		

Request for Project Modification

Attachment "B"

**Project Status Report, dated August 11, 2016
SHPDA Response to Project Status Report, dated August 18, 2016**

North Alabama Medical Center

Florence, Alabama

Status Report – August 2016

Pre-Development

The acquisition of the 25 acre campus required 45+ individual closings. Land acquisition started in July 2015 and is approximately 98% complete. All of the residential and commercial structures have been demolished or physically relocated from the site. The historic Maud Lindsay School was successfully moved to an adjacent parcel of land in concert with the City of Florence. Environmental sampling of each structure took place to ensure all environmental risks were mitigated prior to demolition or removal. The existing condition/topographical land survey is complete. The only remaining land transaction is the transfer of the ALDOT land remnants that front along Veterans Drive. This is raw land that is largely in the right-of-way. We are several months into this process with 30-60 days remaining. ALDOT's appraiser is working on the project and we expect to finalize purchase price soon.

The City of Florence Planning Commission has approved a Final Plat to combine the existing parcels into one parcel for the medical center and medical office building. In addition, the City Planning Commission and City Council have approved the Preliminary Planned Unit Development (PUD) submittal to rezone the property. The Final PUD package was submitted on 8/8 for consideration at the 8/25 Planning Commission meeting.

Littlejohn Engineering, the civil engineer and landscape architect, is coordinating with the traffic consultant regarding the traffic study submittal to ALDOT. The study has been updated to address ALDOT comments and resubmitted for review. Upon approval, Littlejohn will begin design and permitting of the required improvements within ALDOT right-of-way. It is anticipated that the initial ALDOT submittal will take place this Fall.

Design

Project Overview

The building is designed to follow a contemporary architectural style with themes reflecting the river and community. The plan is designed with access to the first floor from grade on all sides of the building. All major hospital departments located along the perimeter of the building on the first floor are planned to expand horizontally as needed. The building has a multi-story vertical design with the structure planned to permit portions of the building to expand vertically. Consideration has been given to the building system capacities and the expansion. Other standalone structures like a future medical office building are planned to be attached to the hospital. The MOB will be developed on approximately 5 acres and is targeted to be approximately 60,000 SF and three stories.

Executive Summary by Discipline

Civil

Littlejohn is currently engaged in site and landscape design for the overall medical center campus. The design includes demolition, erosion control, layout, grading, drainage, hardscape, utilities and landscape architectural elements. In addition, Littlejohn is currently working with Gould Turner Group (GTG), the architect and interior designer, in preparing necessary documents for submittal to the City of Florence. The goal is to have approvals in place by the end of October for a November 2016 start of construction. In addition, site plans will be submitted for permitting to the City and State in August for review by the appropriate agencies.

Architectural

GTG is currently coordinating with the MPE (mechanical, plumbing & electrical) engineering consultant to further develop all aspects of the design. Current coordination areas with the MPE engineers include: Reflected Ceiling Plan design including decorative ceiling areas in public spaces, lighting layouts, mechanical chase coordination, powerhouse layout and development of the roof plan including roof drain locations. GTG is also coordinating with Structural Design Group (SDG), the structural engineer, to further develop the following structural components: Finalizing column and column grid locations, expansion joint locations and truss design for the two-story lobby space. Civil coordination items include fine-tuning sidewalk locations, canopy drives, monuments sign location, flag pole location, outdoor courtyard and dining space, etc.

The building elevations were recently submitted to the City of Florence as part of the PUD Submittal. These elevations note the exterior materials as well as floor-to-floor heights on the building. GTG is in the process of further development of floor plans (noted plans, life safety, finish plans, furniture plans, and enlarged plans), casework, typical wall sections, and select 3D views of major interior spaces plus design of the kitchen/dining space with the food services consultant. The final vendor drawings (imaging rooms, procedure rooms, OR's, etc.) and owner furnished equipment is scheduled to be delivered to the design team in mid-August. Once received, GTG will work to incorporate these items into the design documents as well as coordination with the engineers. GTG also recently submitted an elevator spec to the Contractor to include in an elevator RFP in order to select a final elevator vendor and finalize elevator scope/pricing.

Mechanical

I.C. Thomasson & Associates (ICT), the mechanical/electrical/plumbing/telecom engineer of record, is working with Littlejohn and GTG on the final PUD submittal required by the City of Florence. It will include the location and size of the fuel oil storage tank and location of the low temperature air cooled chiller. ICT is currently working on the general mechanical system routing, sizing and equipment placement as well as all necessary coordination between the design team. An energy model has been generated and being updated to reflect the current design of the envelope and facility equipment. Work is continuing with the mechanical design to meet the upcoming DD package submission.

Plumbing

This submittal for the PUD will include the site plan which indicates the location and size of the sanitary sewer, storm water, fire and domestic water mains. It also includes the location and description of the bulk oxygen park. Work is continuing with the plumbing and fire protection design to meet the upcoming DD package submission.

Electrical

This submittal will include the electrical site plan which indicates the location and description of parking lot lights as well as cut sheets of the lights. It also includes the location and description of heliport lighting. The electrical riser diagram and projected electrical demand loads including all pertinent information has been sent to and coordinated with the local electric utility company "Florence Electricity Department". The location of utility distribution service equipment has been determined and responsibilities between the electrical contractor and utility company have been verified. Work is continuing with the electrical design to meet the upcoming DD package submission.

Telecommunications

ICT has been working with GTG to finalize the locations of the Communication Rooms across the facility. Each of the rooms is sized appropriately to account for the current need as well as future growth. ICT has started identifying network drop locations, access points and Nurse Call devices in anticipation of the "User Group Meetings" later this month. This will allow ICT to help guide the users in the technology discussions. Site Communication discussions have started with the local service providers. ICT is working towards having dual entrance facilities to meet redundancy requirements. They should have final connection point locations in the next few weeks. ICT is currently working to identify access control points. ICT, GTG and RCCH will meet soon to discuss the Access Control/CCTV Security Plan and coordinate doors and door hardware. A security checklist along with recent third-party security assessment outcomes will be referenced during this design session. Design is progressing on the other technology solutions to meet the DD package submission.

Design Summary by Phase**Program/Concept (complete)**

This phase of the project is complete. The building is 5 stories and approximately 485,000 SF.

Schematic Design (complete)

Schematic Design (SD) kicked off in January 2016. The floor plans developed at CON were modified with the revised space program and updated site plans to achieve current needs/targets. Design review meetings were held with RCCH and ECM Administration to refine the SD drawings prior to meeting with the users. User group design sessions were held at ECM over a 3-day period in March. This allowed the design team to walk through each area of the hospital with the appropriate supervisory level users to refine space needs and adjacencies.

This yielded many adjustments to the departments with some much more significant than the others. A follow-up 3-day design session was held with the same groups in April with the inclusion of the medical equipment and IT planners. The primary goal of this second round of meetings was to lock down: size/location of each department, freeze locations of doors/walls and place owner furnished equipment within each area. The outcome was highly successful with only a few departments requiring follow-up discussions and meetings. These areas (Surgery, Cath Labs and Lab) were resolved in May. The schematic design package was finalized and issued to RCCH/ECM on 5/18.

Design Development (in progress)

The project is currently in the Design Development (DD) stage of design. This four month process allows for further development of every component of the building and site. Civil, structural, architectural, interiors, mechanical, plumbing, electrical, technology, owner furnished equipment, etc. will begin to be coordinated into one comprehensive design model. During the early stages of Design Development, GTG has actively partnered with the Contractor and RCCH to reduce the overall cost of the building skin. Examples include reducing the amount of glazing, changing from a curtainwall glazing system to a more economical storefront system and changing large amounts of masonry to an EIFS skin system.

User group meetings will take place during the week of 9/5 to discuss needs/locations of such items as casework, power/data, plumbing fixtures, specific locations of Owner Furnished Equipment, etc. This project will incorporate several design-assist elements that require early onboarding of key construction trades at this stage of design. As an example, structural steel, exterior building skin, elevators, HVAC and electrical trades will help the design team finalize design for early consideration of value engineering options, material/equipment schedule evaluations, life cycle system comparisons, prioritization of sustainability initiatives, etc. This process essentially forces decisions early to help reduce schedule duration and cost. The design team anticipates all major design decisions (locked program and floor plan, final vendor/owner furnished equipment, etc.) to be made by the end of design development, which will allow the design team to focus on full detailing of the project during the Construction Documents phase. The DD package is due out on 9/28.

Construction Documents

The full Construction Document (CD) set including final permit set will be completed and issued to the successful contractor in April 2017. Prior to that, GTG will issue 2 Early Release Packages (ERP). This will allow the site-work to begin (pending proper approvals) in November 2016. ERP #1 will be issued for pricing/permitting in early October and contain site-work/site utilities design. ERP #2 will be issued in November and contain steel, foundations and under slab rough-in. This second package is to be issued on this timeline to allow continuous vertical construction and place a mill order for steel. The design team will issue a final check-set submittal to RCCH and the Contractor in February 2017 as a quality control process to ensure all drawings and specifications are coordinated to their fullest extent.

Vendor Coordination

Vendor coordination had begun in the SD stage. Preliminary vendor drawings for major pieces of medical equipment were included. Additional site visits/inventories have taken place with a goal of maximizing relocation of equipment. The next updated medical equipment budget is due in early August. The IT planner and low voltage engineer have been in communication to review the systems to be considered along with design, procurement and installation responsibilities. An IT kick-off meeting with all parties will be held in Florence in August. The kitchen planner is preparing an equipment matrix and cut sheets for budgeting and responsibility purposes. Final vendor drawings and Owner Furnished Equipment will be issued to the design team in mid-August to allow the design team to begin coordination of such items into the documents.

Facility Optimization Program

This project is being coordinated with the current Facility Optimization Program (FOP). A key element of the FOP targets low cost energy solutions and new MEP system's controls that not only apply to existing buildings, but can be incorporated into new construction if various aspects of the design are set up properly in the early project stages. LP³ Solutions is working with GTG and IC Thomasson (ICT) as a team to identify and evaluate options for lowering first cost while incorporating more energy efficient solutions. These options are being tracked from a cost to benefit standpoint for decision making on this project as well as benchmark data for future projects. In addition, lessons learned from past projects and new design standards are being developed that not only apply to this project, but can be used for future new construction as well as infrastructure replacement projects.

Plan Review & Permitting

State of Alabama

The design team has made repeated attempts to schedule a schematic-level conceptual review meeting with the Alabama Department of Health (ADPH). However, ADPH has denied the request and has instructed the design team to issue the customary mail-in preliminary review documents. The preliminary review submittal is targeted to be issued week of 8/8/2016. ADPH has up to 120 days to review this submittal and our desire is that we receive feedback prior to then.

Site and utility plans will be submitted to Alabama Department of Environmental Management (ADEM) in August for EPSC permitting. This review is anticipated to take 2-3 months.

City of Florence

Many of the City related activities are described above. Building permits are issued through the Building Department. There has been dialogue with these individuals early in the land acquisition process and there appears to be a strong willingness amongst the team to work closely together.

RCCH, ECM and the design team had a coordination meeting with the City on 6/15 to review all aspects of the planning, zoning, design and permitting process. The Mayor attended the meeting and it was a huge success with a great exchange of information by all parties. The City Planning & Zoning department was extremely accommodating in allowing us to submit the initial PUD documents in order to get a head-start on the review process.

Public Utilities

All public utilities are managed by the City of Florence under various departments or entities.

The large demands on the water and sewer systems will require off-site improvements to be made by the City with the expectation that RCCH cover the cost. This is in lieu of impact fees being charged to the project. The design is being closely coordinated between the City and hospital design team. The City, NACOLG, ECM and RCCH collaborated to submit a grant application to the U.S. Economic Development Authority (EDA) to request financial assistance with this work. We have learned on 6/7 that the EDA is going to approve this grant which amounts to ½ of the cost or approximately \$650K. These improvements are tentatively scheduled to start in September (to be confirmed) and take six months to complete. The City will pay the entire project cost and then look to RCCH the City for the other ½ once the work is complete in the Spring of 2017.

The project engineers are in communication with Florence Power and Gas departments regarding the relocation of existing systems on the site and also the design of the new/modified systems that will feed the hospital.

Other

The civil engineer will complete the application and issue request to the Federal Aviation Administration (FAA) in August for the heliport determination letter. This is typically a 4 month process and should not hold up any work.

The electric utility provider in Florence falls under the Tennessee Valley Authority (TVA) coverage area. TVA does not currently have an incentive program for new construction, but LP³ Solutions is currently meeting with TVA to determine if any options due to the scope and magnitude of this project are and since it is a replacement facility of an existing hospital.

Budget

The target project budget is approximately **\$223,300,000**. This includes all capital costs such as: land, traffic study, land survey, pre-construction fees, site improvements, construction, testing, permits, design/consultant fees, travel costs, building fees, limited off-site utility work, contingency, transition planning, moving costs, medical equipment, furnishings, kitchen equipment, artwork, IT & telecom. This does not include MOB design & construction costs, MOB FF&E costs, MOB IT/Telecom costs, Market IT/Telecom costs, ECM East data center

Field Progress

There is no activity in the field at this time. Starting in the November monthly report and beyond there will be an itemized listing of the major categories of work with specific detail of work in progress, completed work and anticipated work. The CM will begin issuing a weekly and monthly report once construction begins. This will be a great way for all interested parties to get frequent construction updates. There will be a jobsite camera installed on the site at the beginning of site-work construction and will remain until the final months of the project.

Transition Planning / Activation

Within the first six months of construction, RCCH will identify a short list of qualified healthcare transition/occupancy planners with the intent of issuing a RFP to all. The successful firm and hospital stakeholders will manage the following key objectives: milestone schedule development, move sequence & owner fit-up planning & coordination, relocation company selection coordination, department operations & relocation planning, patient transfer coordination and move management. We must begin with the end in mind and this firm, along with local hospital stakeholders, will assist us with a successful move into the new facility. With an anticipated October 2018 substantial completion of construction it is anticipated the new hospital will be ready to serve patients by January 2019, if not sooner.



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

100 NORTH UNION STREET, SUITE 870
MONTGOMERY, ALABAMA 36104

August 18, 2016

Russell J. Rutherford, Esquire
Adams and Reese, LLP
Regions Harbert Plaza
1901 6th Avenue, North, Suite 3000
Birmingham, AL 35203

RE: AL2012-013, CON 2635-H
RCHP - Florence, LLC d/b/a North
Alabama Medical Center f/k/a Eliza
Coffee Memorial Hospital

Dear Mr. Rutherford:

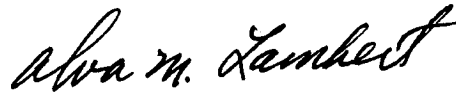
This is written in response to your letter filed on August 11, 2016 in which you submitted a copy of the executed preconstruction services agreement between RCHP - Florence, LLC d/b/a North Alabama Medical Center and Layton Construction Company, LLC. The contract will serve as the firm commitment to this project and will carry the project to completion. North Alabama Medical Center (NAMC) staff provided a detailed status report towards predevelopment efforts made by engineering and architectural firms as well as those design aspects as they relate to electrical, plumbing, mechanical and telecommunication plans.

The Alabama Department of Public Health denied repeated attempts to schedule a schematic-level conceptual review meeting and have requested the design team to issue a customary mail-in preliminary review of documents which it did the week of August the 8th (2016). Other pertinent issues which were brought to light include the target construction budget totaling \$223,300,000.00, even though the CON was approved with an estimated construction budget of \$224,793,869.00. On August 9, 2016, the team received notification that the U.S. Economic Development Administration has selected NAMC project to receive approximately \$632,000.00 to assist in offsetting roughly half of the off-site water/wastewater system improvement costs. And, site-work construction is anticipated to begin in November of this year and should be on-going for twenty-three (23) months.

AL2012-013, CON 2635-H; RCHP – Florence, LLC d/b/a North Alabama Medical Center f/k/a Eliza Coffee
Memorial Hospital
Page Two
08.18.16

Please keep this Agency apprised as to this project's progress every six (6) months through to completion. Pursuant to ALA. ADMIN. CODE r. 410-1-3-.09, all documents to be filed with this Agency must be submitted electronically to shpda.online@shpda.alabama.gov, and formatted in text searchable, PDF format. Should any questions arise, please do not hesitate to contact David A. Tapley directly at (334) 242-4040.

Sincerely,

A handwritten signature in black ink that reads "Alva M. Lambert". The signature is written in a cursive style with a large, stylized "A" and "L".

Alva M. Lambert
Executive Director

AML:dat

Request for Project Modification

Attachment "C"

Letter to Alva Lambert from Noel Falls, dated September 2, 2016
SHPDA Response to Falls Letter, received September 13, 2016



Falls Marketing Group, Inc.
The Health System Solution Since 1980

September 2, 2016

Alva Lambert
Executive Director
State Health Planning and Development Agency
P.O. Box 30325
Montgomery, Alabama 36130-3025

RE: AL2012-013, CON 2635-H, RCHP-Florence, LLC
d/b/a North Alabama Medical Center ("NAMC"),
f/k/a Eliza Coffee Memorial Hospital ("ECM")

Dear Mr. Lambert:

The following is in response to your request, during our telephone conversation of August 30, 2016, for additional information regarding the factors contributing to a reduction in the construction budget in the above referenced project, as disclosed in the most recent progress report submitted to and received by the Agency on August 11, 2016. Please be advised that the number of acute care hospital beds to be relocated from ECM to NAMC will be reduced from 280 to 263 beds. The 17-bed reduction at NAMC accounts for the vast majority of the decreased amount of the construction budget, from \$224,793,869.00 to \$223,300,000.00.

The reduction in beds reflects management's decision not to relocate 17 psychiatric beds from ECM as originally proposed and approved. In the alternative, RCHP-Florence, LLC will, through the filing of a separate Certificate of Need application, relocate the entire existing 20-bed adult psychiatric unit from ECM to Shoals Hospital, located in Colbert County.

I hope that this addendum to the progress report submitted on August 11, 2016, sufficiently responds to your request for clarification. If you need additional information, please don't hesitate to contact me.

Sincerely,

Noel Falls, Consultant to Eliza Coffee Memorial Hospital

CC: Russell Pigg
Keith Allen
Russell Rutherford
Mike Jones



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

100 NORTH UNION STREET, SUITE 870
MONTGOMERY, ALABAMA 36104

September 9, 2016

Noel Falls, Consultant
Falls Marketing Group, Inc.
152 South School Street
Fairhope, AL 36532

RE: AL2012-013, CON 2635-H
RCHP - Florence, LLC d/b/a North
Alabama Medical Center f/k/a Eliza
Coffee Memorial Hospital

Dear Mr. Falls:

This is written in response to your letter filed on September 2, 2016 in which you explain the bed number reduction from two-hundred and eighty (280) beds to that of two-hundred and sixty-three (263) accounts for the vast majority of the actual construction budget amount not being as much as initially expected. Certificate of Need (CON) 2635-H was approved with an estimated construction budget of \$224,793,869.00, and the target construction budget now totals \$223,300,000.00; a difference of \$1,493,869.00. This reduction in beds reflects the management of RCHP - Florence, LLP's decision not to relocate seventeen (17) psychiatric beds from the former Eliza Coffee Memorial Hospital to North Alabama Medical Center. Instead, RCHP - Florence, LLP will, through a separate CON application, propose relocating the entire twenty (20) bed adult psychiatric unit from Eliza Coffee Memorial Hospital to Shoals Hospital which currently operates in Colbert County, AL. Should any questions arise, please do not hesitate to contact David A. Tapley directly at (334) 242-4040.

Sincerely,

Alva M. Lambert
Executive Director

AML:dat

cc: Russell J. Rutherford, Esquire

MAILING ADDRESS: P.O. BOX 303025, MONTGOMERY, ALABAMA 36130-3025
PHONE: (334) 242-4103 FAX: (334) 242-4113

Request for Project Modification

Attachment “D”

Letter to Alva Lambert from Noel Falls, dated October 28, 2016
Letter from Alva Lambert to Noel Falls, dated December 2, 2016



Falls Marketing Group, Inc.
The Health System Solution Since 1980

October 28, 2016

Alva Lambert
Executive Director
State Health Planning and Development Agency
100 North Union Street, Suite 870
Post Office Box 30325
Montgomery, Alabama 36130-3025

RE: AL2012-013, CON 2635-H
RCHP-Florence, LLC d/b/a North
Alabama Medical Center f/k/a Eliza
Coffee Memorial Hospital

Dear Mr. Lambert:

This letter confirms our discussion of your willingness to replace the Certificate of Need for the above referenced project. As you may recall, replacing the CON for North Alabama Medical Center ("NAMC") became necessary due to a reduction in the total construction budget for the replacement of Eliza Coffee Memorial Hospital ("ECM"). The reduction in the amount of the construction budget was due to the removal of the 17-bed psychiatric unit originally proposed for the replacement hospital.

On August 11, 2016, a project status report was filed with the Agency on behalf of NAMC. This report disclosed a reduction in the amount of the construction budget from \$224,793,869.00 to \$223,300,000.00, a total decrease of \$1,493,869.00.

On August 30, 2016, during our telephone conversation, you requested that I provide a written explanation of the factors contributing to the reduction of the amount of the construction budget. In response to your request, I submitted, on September 2, 2016, an addendum to NAMC's project status report. The addendum reported that the reduction in the construction budget was due to the elimination of a 17-bed psychiatric unit proposed for the replacement hospital. The 17-bed unit will not be constructed at the replacement hospital.

I also reported in the addendum that an alternative to relocating seventeen of EMC's existing 20-bed psychiatric unit to the replacement hospital was studied and adopted by corporate and hospital leadership. ECM's existing 20-bed psychiatric unit will continue to operate at its current location until a Certificate of Need application is filed, and approval granted, for the relocation of the entire 20- bed unit to Shoals Hospital, which is located in Colbert County.



Alva Lambert
October 28, 2016
Page 2 of 2

RCHP-Florence, LLC is the immediate corporate owner of Shoals Hospital, Eliza Coffee Memorial Hospital, and its soon to be constructed replacement, North Alabama Medical Center. On behalf of RCHP-Florence, we hereby confirm our request that CON 2365-H, issued to RCHP-Florence, LLC, for the replacement and relocation of Eliza Coffee Memorial Hospital, be replaced as soon as possible. We further confirm the request that CON 2365-H be changed to reflect the reduction in the amount of the construction budget, from \$224,793,869.00 to \$223,300,000.00, and that NAMC's total licensed capacity be reduced from 280 beds to 263 beds, thereby reflecting the removal of the 17-bed psychiatric unit from the replacement hospital.

Thank you for your consideration and willingness to provide assistance in this matter. Should you have any questions, please don't hesitate to contact me.

Sincerely,

Noel Falls
Consultant to RCHP-Florence, LLC

cc: Russell E. Pigg
Russell Rutherford, Esq.
David Tapley



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY
100 NORTH UNION STREET, SUITE 870
MONTGOMERY, ALABAMA 36104

December 2, 2016

Noel Falls
Falls Marketing Group, Inc.
152 South School Street
Fairhope, Alabama 36532

RE: AL2012-013, CON 2635-H
RCHP-Florence, LLC d/b/a North Alabama
Medical Center f/k/a Eliza Coffee Memorial
Hospital

Dear Mr. Falls:

This letter is written in response to your previous correspondence of September 2, 2016 and October 28, 2016, regarding North Alabama Medical Center's ("NAMC") request that the Agency replace CON 2365-H to reflect a change in the amount of the construction budget for the proposed project and a reduction in the total licensed capacity of the replacement hospital.

You have advised this Agency that NAMC has reduced the total construction budget for its replacement hospital by eliminating the seventeen-bed psychiatric unit from the proposed project. On August 11, 2016, a project status report filed with the Agency reflected a reduction in the amount of the construction budget from \$224,793,869.00 to \$223,300,000.00, for a total decrease of \$1,493,869.00, due to the elimination of the psychiatric unit. You have advised this Agency that the hospital plans to continue operating its existing twenty-bed psychiatric unit at its current location until it files a Certificate of Need ("CON") application and obtains approval for the relocation of the entire twenty-bed unit to Shoals Hospital, located in Colbert County, Alabama. Together with NAMC, Shoals Hospital is part of the Coffee Health Group health care system.

ALA. ADMIN. CODE r. 410-1-10-.03(1)(a) defines a project modification as a "proposed change in project for which the State Agency has previously issued a Certificate of Need," to include, but not be limited to, any change in the bed capacity of a facility. Any proposed change in project that falls beneath the financial thresholds for review provided under ALA. ADMIN. CODE r. 410-1-4-.01 and does not involve the physical relocation of the facility, the addition or conversion of beds or the provision of new health services not specified in the original CON application is reviewable by the Executive Director of the Agency and does not require the filing of a new CON application or review by the CON Review Board.

The proposed elimination of the seventeen psychiatric beds from the replacement hospital would require the filing of a project modification, pursuant to ALA. ADMIN. CODE r. 410-1-10-.03(1)(a). The project modification should disclose NAMC's plans to subsequently file a CON application for the relocation the

Request for Project Modification

Attachment “E”

Modified Version of Project Cost Table

IV. COSTS

A. Construction (includes modernization, expansion)

1.	Predevelopment	\$	
2.	Site Acquisition		10,000,000
3.	Site Development		
4.	Construction		149,142,322
5.	Architect and Engineering Fees		7,780,324
6.	Renovation *		566,000
7.	Interest during construction		21,000,000
8.	Attorney and Consultant Fees		4,133,943
9.	Bond Issuance Costs		
10.	Contingency		11,822,607
11.	Other **		18,854,804
	TOTAL COST OF CONSTRUCTION	\$	223,300,000

B. Purchase

1.	Facility	\$	
2.	Major Medical Equipment		24,210,131
3.	Other Equipment	\$	1,996,000

C. Lease

1.	Facility Cost per Year ____ X ____ Years =	\$	
2.	Equipment Cost per Month ____ X ____ Months =		
3.	Land-only Lease Cost per Year ____ X ____ Years =		
	TOTAL COST OF LEASE(S)	\$	
	Cost of Purchased	\$	

D. Services

1.	<input type="checkbox"/> New Service	\$	
2.	<input type="checkbox"/> Expansion		
3.	<input type="checkbox"/> Reduction or Termination		
4.	<input type="checkbox"/> Other		

FIRST YEAR ANNUAL OPERATING COSTS

\$ 174,143,429

E. Total Cost of this project (Total A, through D.)

\$ 423,649,560

* Upgrading HVAC system at ECM-East

** Oother Includes:

Technology

Fixtures and Furniture

Testing and inspection

Relocating equipment

Miscellaneous fees

Miscellaneous expenses

Reimburseable expenses

Request for Project Modification

Attachment “F”

Modified Version of Utilization Data Table

III. UTILIZATION DATA

A. HISTORICAL DATA

Give information for last three (3) years for which complete data is available

Accommodation Occupancy	Number of Beds			Admissions or Discharges			Total Patient Days			% Occupancy		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Private	308	308	308	12,666	11,435	10,978	57,976	51,137	52,100	51.4%	45.5%	46.3%
Semi-Private	50	50	50									
Ward												
TOTALS	358	358	358	12,666	11,435	10,978	57,976	51,137	52,100	44.2%	39.1%	39.9%

Admissions or Clinical Services Occupancy	Number of Beds			Admissions or Discharges			Total Patient Days			% Occupancy		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Medicine and Surgery	275	275	275	8,988	8,291	8,153	47,846	41,462	42,826	47.7%	41.3%	42.7%
Obstetrics	38	38	38	1,494	1,500	1,359	3,696	3,786	3,522	28.9%	29.6%	27.6%
Pediatrics	28	28	28	763	763	620	1,825	1,844	1,689	17.9%	18.0%	16.5%
Psychiatry	20	20	20	1,021	881	846	4,429	4,035	4,063	60.7%	55.4%	55.7%
Other	0	0	0	-	-	-	-	-	-	0.0%	0.0%	0.0%
TOTALS	358	358	358	12,266	11,435	10,978	57,796	51,137	52,100	44.2%	39.1%	39.9%

B. PROJECTED DATA

Give information for first two (2) years of operation after completion of project.

Accommodation Occupancy	Number of Beds		Admissions or Discharges				Total Patient Days		% Occupancy		
	Year 1	Year 2		Year 1	Year 2		Year 1	Year 2		Year 1	Year 2
Private	263	263		13,914	17,525		58,750	74,198		61.2%	77.3%
Semi-Private											
Ward											
TOTALS	263	0		13,914	17,525		58,750	74,188		61.2%	77.3%

Admissions or Clinical Services Occupancy	Number of Beds		Admissions or Discharges			Total Patient Days		% Occupancy			
	Year 1	Year 2		Year 1	Year 2		Year 1	Year 2		Year 1	Year 2
Medicine and Surgery	235	235		12,164	15,225		53,937	67,863		62.9%	79.1%
Obstetrics	28	28		1,750	2,300		4,813	6,325		47.1%	61.9%
Pediatrics											
Psychiatric											
Inpatient Hospice											
TOTALS	263	263		13,914	17,525		58,750	74,188		61.2%	77.3%

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the above and foregoing Request for Project Modification upon all parties identified below this the 16TH day of December 2016.

VIA ELECTRONIC FILING & OVERNIGHT DELIVERY:

Mr. Alva Lambert
Executive Director
State Health Planning and Development Agency
100 North Union Street, Suite 870
Montgomery, Alabama 36104

VIA U.S. MAIL:

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420 20th Street North
Birmingham, Alabama 35203



Noel Falls, Falls Marketing Group, Inc.
Consultant to RCHP-Florence, LLC