



Jennifer Clark

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October 20, 2017

Via Electronic Filing
(shpda.online@shpda.alabama.gov)

RECEIVED
Oct 20 2017
STATE HEALTH PLANNING AND
DEVELOPMENT AGENCY

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

RE: Request for Reviewability Determination
HealthSouth of Alabama

Dear Mr. Lambert:

The purpose of this letter is to request your determination, pursuant to Section 401-1-7-.02 of the Alabama Certificate of Need Program Rules & Regulations (“Regulations”), that the proposed change in the legal name of HealthSouth of Alabama, LLC (the “CON Entity”), the entity holding two Certificates of Need, 2608-REHAB and 2587-REHAB, for a 34-bed inpatient rehabilitation facility in Shelby County (“Shelby County Hospital”), and internal corporate restructuring described in this letter do not require our client, HealthSouth Corporation (“HealthSouth”), to obtain a Certificate of Need (“CON”) from the State Health Planning and Development Agency. In order to assist with this determination, we offer the following information:

I. Status of Project

As reported to the agency in August 2017, construction on the Shelby County Hospital began in March 2017. The project’s construction is moving forward on schedule, and it is anticipated that the Shelby County Hospital will be ready for operation in April 2018.

II. Legal Name Change

HealthSouth, a leading provider of post-acute healthcare services operating in 34 states and Puerto Rico, is undertaking a nationwide rebranding. HealthSouth will change its name to Encompass Health Corporation effective January 1, 2018, and will begin transitioning all business segments to the Encompass Health name over the next year. For the Shelby County Hospital, the rebranding will change the legal name and operating name of the CON Entity and certain affiliated entities as set forth in the following table and in the attached organizational charts:

| Current Legal Name | Future Legal Name | Current Operating Name | Future Operating Name |
|---|--|--|---|
| HealthSouth of Alabama, LLC | Encompass Health Rehabilitation Hospital of Shelby County, LLC | HealthSouth Rehabilitation Hospital of Shelby County | Encompass Health Rehabilitation Hospital of Shelby County |
| HealthSouth Owned Hospitals Holdings, LLC | Encompass Health Owned Hospitals Holdings, LLC | N/A | N/A |
| HealthSouth Corporation | Encompass Health Corporation | HealthSouth | Encompass Health |

Ala. Code § 22-21-270(f) addresses the name change of a legal entity to which a CON has been issued as follows:

(f) Notwithstanding any other provisions of this article, the transfer of equity interests in, or change of name or merger of, any legal entity which holds a certificate of need shall not constitute a transfer, assignment, or conversion of the certificate of need. The transaction is not subject to certificate of need approval under the article unless the transaction also involves implementing one or more of the new institutional health services or a new health care facility or health maintenance organization described in subdivisions (2), (3), or (4) of Section 22-21-263(a).

(Emphases added.)

The proposed change in the legal names of the CON Entity and affiliated entities does not involve implementing new institutional services or establishing a new health care facility not already approved by CON Numbers 2608-REHAB and 2587-REHAB. Therefore, pursuant to Ala. Code § 22-21-270(f), the change in corporate name is not subject to CON approval. Furthermore, the corporate name change does not constitute a project modification requiring approval from the CON Review Board.¹

III. Internal Corporate Restructuring

In addition to the corporate name change, the CON Entity will also undergo a corporate restructuring. HealthSouth, the sole member of the CON Entity, will contribute 100% of its membership interest in the CON Entity to Encompass Health Owned Hospitals Holdings, LLC f/k/a HealthSouth Owned Hospitals Holdings, LLC (the “Holding Company”). Following this transaction, the CON Entity will be a wholly owned subsidiary of the Holding Company, which is a wholly owned subsidiary of HealthSouth Corporation. As demonstrated in the organizational

¹The project modification approval process set forth in Section 410-1-10-.03 of the Regulations is meant to address changes in the CON-approved project, such as a change in the bed capacity or bed use of a facility, the addition of a health service or services, or an increase in the cost of the project in excess of ten percent of the total project cost. Ala. Admin. Code § 410-1-10-.03(1)(a).

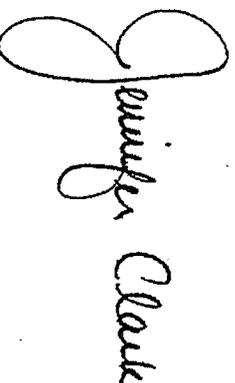
October 20, 2017

charts, attached hereto as Exhibit A, the membership interest is being transferred to an affiliate under common ownership and control with the CON Entity, and the ultimate parent company of the CON Entity will not change.

Ala. Code 22-21-270(e) states that, prior to becoming vested, a CON shall not be transferable "other than to an entity under common ownership and control," which is defined for the purpose of the statute as "ownership, directly or through one or more affiliates, of 50 percent or more of the shares of stock entitled to vote for the election of directors, in the case of a corporation, or 50 percent or more of the voting equity interests in the case of any other type of legal entity" Because the membership interest in the CON Entity will be transferred to an affiliate of the CON Entity, and the CON Entity will remain under the ownership and control of HealthSouth, the restructuring complies with Ala. Code 22-21-270(e).

Based upon the above, we respectfully request your determination that HealthSouth is not required to obtain a CON in order to complete the corporate name change and internal corporate restructuring as described in this letter. In addition to the determination of non-reviewability, we request that you issue updated certificates for 2608-REHAB and 2587-REHAB to reflect the new legal name "Encompass Health Rehabilitation Hospital of Shelby County, LLC" in the "Name of Facility" field. We appreciate your consideration of this request, and welcome the opportunity to address any questions regarding this matter. A check for \$1,000.00 in payment for the applicable fee will be delivered to your office. Thank you very much.

With Best Regards,

A handwritten signature in black ink that reads "Jennifer Clark". The signature is written in a cursive, flowing style.

Jennifer Clark

October 18, 2017

Affirmation of Requesting Party:

The undersigned, being first duly sworn, hereby makes oath or affirms that he, as Director of State Regulatory Affairs for HealthSouth Corporation, has knowledge of the facts in the attached Reviewability Determination Request, and to the best of his information, knowledge and belief, such facts are true and correct.



Walter Smith

Director of State Regulatory Affairs, HealthSouth Corporation

(SEAL)

SUBSCRIBED AND SWORN to before me this 18th day of Oct., 2017.



Notary Public

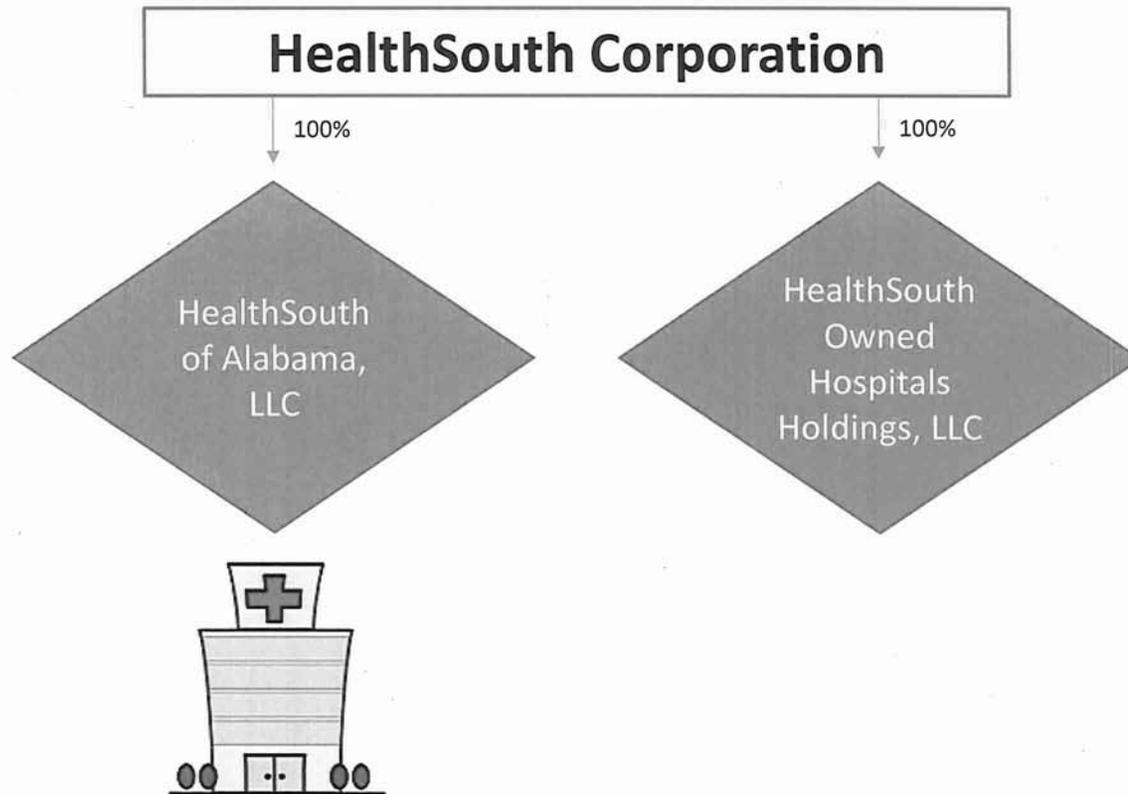
My commission expires:

October 31, 2018

Exhibit A

Organizational Charts

Current Structure & Corporate Name



Shelby County (2608-REHAB; 2587-REHAB)

Future Structure & Corporate Name Change

