



North Carolina Department of Health and Human Services
Division of Health Service Regulation

Pat McCrory
Governor

Richard O. Brajer
Secretary DHHS

Drexdal Pratt
Division Director

November 19, 2015

Thomas Lally
Charlotte Surgery Center
2825 Randolph Road
Charlotte, North Carolina 28211

Exempt from Review

Record #: 1787
Facility Name: Charlotte Surgery Center
FID #: 943093
Business Name: Surgical Care Affiliates, LLC
Business #: 2123
Project Description: Renovation and expansion of existing facility
County: Mecklenburg

Dear Mr. Lally:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letters of October 13, 2015 and November 9, 2015, the above referenced proposal is exempt from certificate of need review in accordance with G.S. 131E-184(g). Therefore, you may proceed to offer, develop or establish the above referenced project without a certificate of need.

However, you need to contact the Agency's Construction and Acute and Home Care Licensure and Certification Sections to determine if they have any requirements for development of the proposed project.

It should be noted that this determination is binding only for the facts represented by you. Consequently, if changes are made in the project or in the facts provided in your correspondence referenced above, a new determination as to whether a certificate of need is required would need to be made by the Agency. Changes in a project include, but are not limited to: (1) increases in the capital cost; (2) acquisition of medical equipment not included in the original cost estimate; (3) modifications in the design of the project; (4) change in location; and (5) any increase in the number of square feet to be constructed.



Healthcare Planning and Certificate of Need Section

www.ncdhhs.gov

Telephone: 919-855-3873 • Fax: 919-715-4413

Location: Edgerton Building • 809 Ruggles Drive • Raleigh, NC 27603

Mailing Address: 2704 Mail Service Center • Raleigh, NC 27699-2704

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If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,



Gloria C. Hale
Project Analyst



Martha J. Frisone, Assistant Chief
Certificate of Need

cc: Construction Section, DHSR
Acute and Home Care Licensure and Certification Section, DHSR
Kelli Fisk, Program Assistant, Healthcare Planning

CHARLOTTE SURGERY CENTER

an affiliate of SCA

November 9, 2015

Ms. Gloria Hale, Planning Analyst
Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation
809 Ruggles Drive
Raleigh, NC 27603

RE: Administrative and Financial Control of Charlotte Surgery Center

Dear Ms. Hale:

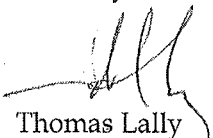
In response to your questions about Charlotte Surgery Center's October 15, 2015 exemption notification regarding its renovation and expansion project, please accept this letter as an attestation that financial and administrative control is located within the facility.

As Chief Executive Officer of Charlotte Surgery Center, I direct the clinical, financial, and administrative operations of Charlotte Surgery Center along with Lance Hopping, Chief Operating Officer, and Renea Noriega, Director of Nursing (please see Exhibit 1 for a floor plan indicating our office locations).

My responsibilities as Chief Executive Officer include, but are not limited to, monitoring financial performance, authorizing invoice payment, hiring and firing staff, and directing patient billing. Charlotte Surgery Center staff collects patient co-payments on site and insurance information is sent to Surgical Care Affiliates' central billing office for its Southeast facilities. I am the contact between Charlotte Surgery Center and my teammates at the central billing office, which conducts insurance notification, collections, and billing on our behalf. I develop annual budgets, which are approved by a local Board comprised of representatives of Charlotte Surgery Center's ownership.

Please let me know if you have any further questions.

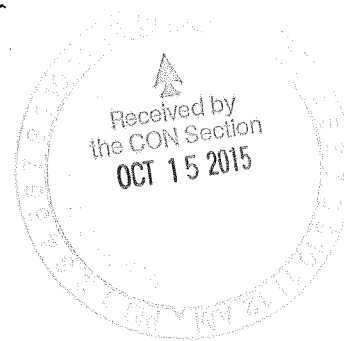
Sincerely,



Thomas Lally
Chief Executive Officer
Charlotte Surgery Center
Attachment

October 13, 2015

Ms. Martha Frisone, Assistant Chief
Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation
809 Ruggles Drive
Raleigh, NC 27603



RE: Request for Exemption from Review to Renovate Charlotte Surgery Center

Dear Ms. Frisone:

Pursuant to N.C.G.S. 131E-184(g), I am writing to inform you of Charlotte Surgery Center's plan to renovate and expand its facility.

Pursuant to N.C.G.S. 131E-184(g), "[t]he Department shall exempt from certificate of need review any capital expenditure that exceeds the two million dollar (\$2,000,000) threshold set forth in G.S. 131E-176(16)b. if any of the following conditions are met:

- (1) The sole purpose of the capital expenditure is to renovate, replace on the same site, or expand the entirety or a portion of an existing health service facility that is located on the main campus.
- (2) The capital expenditure does not result in (i) a change in bed capacity as defined in G.S. 131E-176(5) or (ii) the addition of a health service facility or any other new institutional health service facility or any other new institutional health service other than that allowed in G.S. 131E-176(16)b.
- (3) The licensed health service facility proposing to incur the capital expenditure shall provide written notice to the Department along with support documentation to demonstrate that it meets the exemption criteria of this subsection."

N.C.G.S. 131E-176(14n) states "'Main campus' means all of the following for the purposes of G.S. 131E-184(f) and (g) only:

- a. The site of the main building from which a licensed health service facility provides clinical patient services and exercises financial and administrative control over the entire facility, including the buildings and grounds adjacent to that main building.
- b. Other areas and structures that are not strictly contiguous to the main building but are located within 250 yards of the main building."

Charlotte Surgery Center's facility renovation and expansion project meets each of the applicable conditions set forth above. The estimated total capital cost of the project is \$11,193,889 (see Exhibit 1 for a capital cost worksheet). The project involves the

renovation and expansion of an existing health service facility located at 2825 Randolph Rd, Charlotte, NC 28211, which is the site from which Charlotte Surgery Center provides clinical patient services and exercises financial and administrative control over the facility. Please see the existing floor plan for Charlotte Surgery Center in Exhibit 2 which indicates the business and administrative offices for Charlotte Surgery Center. Please see also see a copy of Charlotte Surgery Center's license in Exhibit 3.

The project consists of renovation and expansion only and does not involve a change in bed capacity as defined in G.S. 131E-176(5) or the addition of a health service facility or a new institutional health service. The project will not increase the number of operating rooms or gastrointestinal rooms. The project will not result in the acquisition of major medical equipment or the offering of health services not currently provided. Rather, the construction will enhance the physical space and services of the facility.

Charlotte Surgery Center is currently licensed for seven operating rooms which will not change as a result of the project. Charlotte Surgery Center also has three procedure rooms:

- Procedure Room #1 is designated on its license
- Procedure Room #2 has been erroneously left off of Charlotte Surgery Center's license for several years. The 2009 License Renewal Application for Charlotte Surgery Center lists two procedure rooms (see excerpt in Exhibit 4).
- Procedure Room #3 is used for YAG laser procedures and has never been listed on the license (see room labeled YAG in the existing floor plan near recovery in Exhibit 1).

The project will reconfigure the size and layout of Charlotte Surgery Center's seven operating rooms and three procedure rooms. Please see Exhibit 5 for the proposed line drawings. These facility improvements will allow Charlotte Surgery Center to provide enhanced quality of care that meets the needs of its patients.

Based on the above facts, the project is exempt from certificate of need review. We are requesting that you confirm in writing that Charlotte Surgery Center's renovation and expansion is exempt from certificate of need review and that we may proceed as planned with this project.

Sincerely,



Kelli Collins
Vice President Operations - Team Carolinas
Surgical Care Affiliates, Manager of Charlotte Surgery Center
Attachment

Exhibit 1

Capital Cost Line Item	Sub-Cost	Total Cost
A. Site Costs		
(1) Full purchase price of land		\$0.00
(2) Closing Costs		\$0.00
(3) Site Inspection and Survey		\$5,500.00
(4) Subsoil investigation		\$3,500.00
(5) Site Preparation Costs		
Soil Borings (included in 4 above)		
Clearing-Earthwork	\$26,000.00	
Roads-Paving	\$16,000.00	
Retaining Walls & Concrete Sidewalks	\$12,000.00	
Water and Sewer	\$14,000.00	
Excavation & backfill	\$15,000.00	
Termite Treatment	\$1,000.00	
Site Lighting	\$15,000.00	
Insurance & Permits	\$4,000.00	
<u>Sub-Total Site Preparation Costs</u>		\$103,000.00
(6) Other (Site work contingency)	10.00%	\$10,300.00
(7) Sub-Total Site Costs		\$122,300.00

8. Construction Contract (materials & labor)	Sub Cost	Total Cost
General Requirements	\$1,153,613.14	
Concrete/Masonry	\$12,297.78	
Doors & Windows/finishes	\$1,328,975.38	
Thermal and Moisture Protection	\$27,177.41	
Equipment/specialty items	\$188,203.57	
Mechanical/electrical	\$3,786,492.74	
Other		
Structural Steel	\$36,010.07	
Construction fee	\$261,582.58	
(8) Subtotal Construction Contract		\$6,794,352.66
(10) Other - (Construction Contingency Allowance)	10.00%	\$679,435
(11) Sub-Total Construction Contract		\$7,473,788

C. Miscellaneous Project Costs	Sub-Cost	Total Cost
(12) Building Purchase		\$0.00
(13) Fixed Equipment Purchase/Lease		\$1,354,487.44
(14) Movable Equipment Purchase/Lease		\$610,175.77
(15) Furniture and other non-medical equipment		\$220,606.57
(16) Landscaping		\$25,000.00
(17) Consulting Fees		
Architect and Engineering Fees	\$550,716.37	
Legal Fees	\$10,000.00	
Testing Services	\$20,000.00	
Other (Med Equip Planning and Other Consultants)	\$306,293.22	
Sub-Total Consulting Fees		\$887,009.60
(18) Financing Costs		\$70,000.00
(19) Interest During Construction		\$120,793.90
(20) Other (Project Contingency Allowance)	10.00%	\$309,727.94
(21) Sub-Total Miscellaneous		\$3,597,801.22

D. Total Capital Cost of Project (Tenant's Costs)		\$11,193,889.14
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Exhibit 2

Exhibit 3

State of North Carolina

Department of Health and Human Services Division of Health Service Regulation

Effective January 01, 2015, license is issued to

Charlotte Surgery Center

to operate an ambulatory surgical clinic known as

Charlotte Surgery Center

located at 2825 Randolph Road

Charlotte, Mecklenburg County, North Carolina.

*This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2015.*

Facility ID: 943093

License Number: AS0026

Surgical Operating Rooms: 7

Endoscopy Rooms: 0

Authorized by:

Adona W. M.D.

**Secretary, N.C. Department of Health and
Human Services**



Dwight R.

Director, Division of Health Service Regulation

Exhibit 4

All responses should pertain to October 1, 2007 *thru* September 30, 2008.

D. Non-Gastrointestinal Procedure Rooms and Cases

Please report only rooms and cases not reported in A. or C.: Report rooms not equipped for, or that do not meet all the specifications for an operating room, which are dedicated to the performance of procedures other than Gastrointestinal Endoscopies.

a) Total Number of Procedure Rooms: 2

NOTE: Read the following instructions carefully.

b) Enter the number of Non-Surgical cases by specialty area in the chart below. Count all Non-Surgical cases, including cases performed in Operating Rooms. Count each patient undergoing a procedure or procedures as one case regardless of the number of procedures performed while the patient was in the room.

Non-Surgical Specialty Area	Cases
Pain Management	4,344
Lithotripsy	0
Cystoscopy	0
Non GI Endoscopies (not reported in C.)	0
GI Endoscopies (not reported in C.)	0
Special Procedures/Angiography (neuro & vascular but not including cardiac cath.)	0
YAG Laser	167
Other (specify)	0
Other (specify)	0
Other (unspecified)	0
Total Non-Surgical Cases	4,511

E. Reimbursement Source

Primary Payer Source	Number of Cases
Self Pay/Indigent/Charity	60
Medicare & Medicare Managed Care	3,809
Medicaid	359
Commercial Insurance Managed Care	26
Other (Specify)	6,314
TOTAL	11,024
	11,592

	\$ Amount	% of Total Costs	% of Net Revenues
Unreimbursed Medicaid Costs ⁽¹⁾	1,111,871.23	82.2%	
Unreimbursed Charity Care ⁽¹⁾	2,973.72	0.04%	0.02%
Bad Debt	288,598.87		1.7%

(1) Unreimbursed Medicaid costs and the unreimbursed charity care should come from the hospital's most recent Medicaid Cost Report.

Charity Care Definition: Health care services that never were expected to result in cash inflows. Charity care results from a provider's policy to provide health care services free of charge to individuals who meet certain financial criteria.

Bad Debt Definition: Health care services that were expected to result in cash inflows but written off after unsuccessful efforts to collect the amount owed.

Exhibit 5

