



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

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

MARK PAYNE
DIRECTOR

June 9, 2017

Randi L. Shults
3916 Ben Franklin Boulevard
Durham, NC 27704

Exempt from Review

Record #: 2291
Facility Name: North Carolina Specialty Hospital
FID #: 943374
Business Name: North Carolina Specialty Hospital
Business #: 1328
Project Description: Renovation and expansion to include decontamination, clean work and sterile supply areas, expansion of procedure room and development of an additional procedure room, repositioning of support spaces, reconfiguration of equipment storage area in the operating room suite, relocation of two licensed acute care beds and conversion of two licensed acute beds to unlicensed observation beds
County: Durham

Dear Ms. Shults:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letter of June 2, 2017, the above referenced proposal is exempt from certificate of need review in accordance with N.C. Gen. Stat. §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

An Equal Opportunity/ Affirmative Action Employer



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

Sincerely,

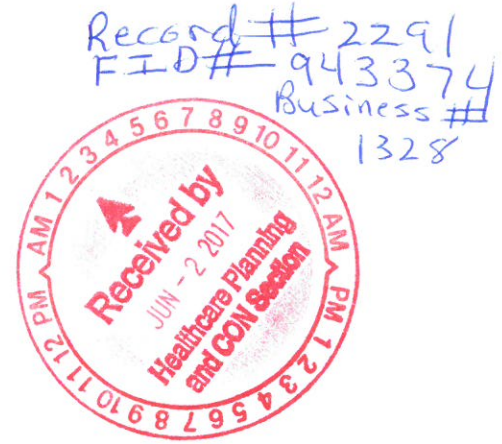


Bernetta Thorne-Williams
Project Analyst



Martha J. Frisone, Chief
Healthcare Planning and Certificate of Need

cc: Construction Section, DHSR
Acute and Home Care Licensure and Certification Section, DHSR
Paige Bennett, Assistant Chief, Healthcare Planning, DHSR



Bernetta Thorne-Williams, Project Analyst
Health Planning and Certificate of Need Section
Division of Health Service Regulations, DHHS
Mail Service Center 2704
Raleigh, NC 27699-2704

RE: Exemption Notice / Renovations and expansion of health service facility pursuant to NCGS § 131E -184(g) / North Carolina Specialty Hospital / Durham County

Dear Ms. Thorne Williams:

North Carolina Specialty Hospital is planning to renovate and expand specific portions of the main hospital to improve workflow and enhance patient care. North Carolina Specialty Hospital is requesting confirmation that this renovation is exempt from Certificate of Need review pursuant to NCGS § 131E -184(g).

NCGS § 131E -184(g) states that *The 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 all 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 prior written notice to the Department along with supporting documentation to demonstrate that it meets the exemption criteria of this subsection.*

The sole purpose of the capital expenditure is to renovate and expand portions of the existing health service facility of North Carolina Specialty Hospital that are located on the main campus. The scope of the project involves the renovation and new construction to accomplish the following changes to the existing hospital facility:

- Expand the decontamination, clean work, and sterile supply spaces
- Increase the size of an existing procedure room within the operating room suite
- Develop an additional procedure room within the operating room suite
- Reposition support spaces such as a clean linen, soiled hold, and bio-hazard rooms, as well as a reconfiguration of an equipment storage area in the OR suite
- Relocate two licensed acute care beds within the hospital and add necessary support space
- Convert two existing acute care beds to become unlicensed observation beds

Increasing the size of the sterile supply spaces is necessary to accommodate the workload due to the high utilization of the four existing shared operating rooms. The procedure room expansion and addition are also needed to respond to increases in procedure room utilization for pain management and other minimally invasive procedures. The reconfiguration of the clean linen, soiled hold, bio-hazard rooms and equipment storage allows for the procedure room changes as well as improved workflow and efficiency.

The relocation of two licensed acute care beds into a new suite will provide the appropriate space to serve high acuity medical and surgical inpatients on an-as needed basis. With the relocation, two existing licensed patient rooms will be delicensed and become observation beds. Having two additional unlicensed observation beds will be helpful to respond to period of high census. When an observation patient occupies a licensed acute care bed the hospital is unable to admit an inpatient into that licensed bed.

The cost of the renovation and expansion project, including the equipment, is expected to be \$6,123,232. A certified cost estimate is provided in Exhibit 1. Floor plans of the existing facility and the proposed project at completion are included in Exhibit 2. The following table summarizes the renovations and new construction:

NCSH Main Campus Hospital	Existing S.F.	Addition - New Construction S.F.	Renovation S.F.	Total S.F. at Completion
1st Floor	39,544	2,066	3,780	41,610
2nd Floor	16,667	1,347	2,190	18,014

The renovations and expansion project will not result in a change of bed capacity or the addition of a health service facility or new institutional health service other than that allowed in NCGS § 131E - 176(16)b. North Carolina Specialty Hospital will continue to be licensed for 18 medical surgical acute care beds, and 4 operating rooms. As seen in Exhibit 3 the development of a procedure room is not subject to Certificate of Need. The project will not result in the acquisition of major medical equipment or the offering of health services not currently provided. The only items projected to cost more than \$10,000 each include sterile supply equipment, procedure room lights and patient monitoring equipment.

NCGS § 131E -176(14n) provides “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.

The proposed project involves changes to the first floor and second floor renovations at the main campus of North Carolina Specialty Hospital that is located at 3916 Ben Franklin Blvd Durham, NC 27704. Financial and administrative control is provided in the offices physically located in the first floor of this same main campus.

The locations of the financial officer and administrative officer at the main campus are highlighted in the facility plan in Exhibit 4. North Carolina Specialty Hospital is a licensed health services facility (DHSR Acute Care Licensed No. H0075).

This request shall serve as prior written notice of the proposed capital expenditure and includes documentation to support that this request meets the exemption criteria. Please do not hesitate to contact me at (919) 956-9301 if you need additional information. Thank you for your consideration of this information.

Sincerely,

A handwritten signature in black ink, appearing to read "Randi L. Shults", with a long, sweeping horizontal line extending to the right.

Randi L. Shults
Chief Executive Officer

Exhibits for NCSH Exemption Notice

Exhibit 1 – Certified Cost Estimate Form

Exhibit 2 – Floor plans for the existing facility and the proposed project at completion.

Exhibit 3 – Copy of letter from Drexdal Pratt, DHHS to SCA regarding procedure rooms

Exhibit 4 –NCSH facility plan showing the location of the offices for the financial officer and hospital administrator

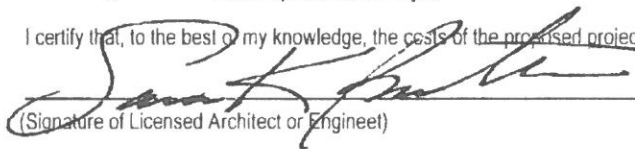
EXHIBIT 1 - PROJECTED CAPITAL COST

Project Name: North Carolina Specialty Hospital Renovations and Expansion

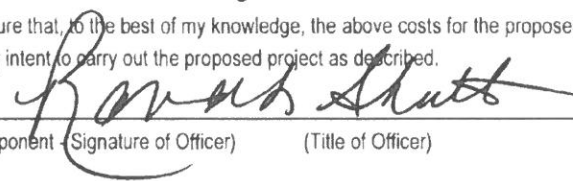
Proponent: North Carolina Specialty Hospital, LLC

A. Site Costs			
(1)	Full purchase price of land	N/A	renovation
	Acres _____ Price per Acre	N/A	renovation
(2)	Closing costs	N/A	renovation
(3)	Site Inspection and Survey	\$8,000	
(4)	Legal fees and subsoil investigation.	\$2,000	
(5)	Site Preparation Costs		
	Soil Borings	\$2,500	
	Clearing-Earthwork	\$25,000	
	Fine Grade For Slab	\$500	
	Roads-Paving	\$10,000	
	Concrete Sidewalks	\$5,000	
	Water and Sewer	\$5,000	
	Footing Excavation	\$2,500	
	Footing Backfill	\$2,500	
	Termite Treatment	\$500	
	Selective Demolition	\$10,000	
	Sub-Total Site Preparation Costs	\$63,500	
(6)	Other (Specify)	N/A	
(7)	Sub-Total Site Costs		\$73,500
B. Construction Contract			
(8)	Cost of Materials		
	General Requirements	\$25,000	
	Concrete/Masonry	\$78,000	
	Doors & Windows/Finishes	\$868,000	
	Thermal & Moisture Protection	\$40,000	
	Equipment/Specialty Items	\$80,000	
	Mechanical/Electrical	\$1,124,000	
	Structural Steel	\$180,000	
	Sub-Total Cost of Materials	\$2,395,000	
(9)	Cost of Labor	\$2,261,240	
(10)	Permit	\$7,550	
(11)	Sub-Total Construction Contract		\$4,663,790
C. Miscellaneous Project Costs			
(12)	Building Purchase	N/A	renovation
(13)	Fixed Equipment Purchase/Lease	\$494,617	
(14)	Movable Equipment Purchase/Lease	\$598,325	
(15)	Furniture	\$10,000	
(16)	Landscaping	\$10,000	
(17)	Consultant Fees		
	Architect and Engineering Fees	\$269,000	
	Legal Fees	N/A	in-house
	Market Analysis	N/A	in-house
	Other (Specify)	\$0	
	Sub-Total Consultant Fees	\$269,000	
(18)	Financing Costs (e.g. Bond, Loan, etc.)	N/A	
(19)	Interest During Construction	N/A	
(20)	Impact Fees	\$4,000	
(21)	Sub-Total Miscellaneous		\$1,385,942
D. Total Capital Cost of Project			\$6,123,232

I certify that, to the best of my knowledge, the costs of the proposed project named above are complete and correct.

 _____ Date Certified: 18. May. 2017
 (Signature of Licensed Architect or Engineer)

I assure that, to the best of my knowledge, the above costs for the proposed project are complete and correct and that it is my intent to carry out the proposed project as described.

 _____ Date Signed: 5/19/2017
 (Proponent Signature of Officer) (Title of Officer)



**North Carolina Department of Health and Human Services
Division of Health Service Regulation
Office of the Director**

2701 Mail Service Center • Raleigh, North Carolina 27699-2701
<http://www.ncdhhs.gov/dhsr/>

Beverly Hayes Perdue, Governor
Albert A. DeLa, Acting Secretary

Drexdal Pratt, Director
Phone: 919-855-3750
Fax: 919-733-2757

November 27, 2012

Mr. Frank Kirschbaum
Nexsen Pruet, LLC
4141 Parklake Avenue, Suite 200
Raleigh, NC 27612

RE: Surgical Care Affiliates v. DHHS. 12 CVS 09409 and 12 CVS 010478

Dear Mr. Kirschbaum,

Subject to any applicable statutory dollar thresholds. The North Carolina Department of Health And Human Services, Division of Health Service Regulation, has determined that procedure rooms will solely be regulated in licensed ambulatory surgical facilities and hospitals, and only to the extent required to ensure that such procedure rooms meet the requirements of the Federal Life Safety Code as referenced in the North Carolina Administrative Code. Neither the Acute and Home Care Licensure and Certification Section, nor the Construction Section will require any determination from the Certificate of Need Section prior to authorizing the use or establishment of a procedure room.

Sincerely,

Drexdal Pratt, Director
Division of Health Service Regulation

