



DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF HEALTH SERVICE REGULATION

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

MARK PAYNE
DIRECTOR

VIA EMAIL ONLY

February 1, 2018

Barbara Lankford

No Review

Record #: 2490
Facility Name: Kindred Hospital - Greensboro
FID #: 953348
Business Name: Kindred Hospital East, LLC
Business #: 1065
Project Description: Change in indirect ownership of Parent Company Kindred Healthcare, Inc.
County: Guilford

Dear Ms. Schwartz:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) received your letter of January 29, 2018 regarding the above referenced proposal. Based on the CON law **in effect on the date of this response to your request**, the proposal described in your correspondence is not governed by, and therefore, does not currently require a certificate of need. However, please note that if the CON law is subsequently amended such that the above referenced proposal would require a certificate of need, this determination does not authorize you to proceed to develop the above referenced proposal when the new law becomes effective.

However, you need to contact the Agency's Acute and Home Care Licensure Section 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 in your correspondence. 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 this office. 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

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



Please contact this office if you have any questions. Also, in all future correspondence you should reference the Facility ID # (FID) if the facility is licensed.

Sincerely,



Celia C. Inman
Project Analyst



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

cc: Acute and Home Care Licensure and Certification Section, DHSR
Sharetta Blackwell, Program Assistant, Healthcare Planning, DHSR



Rec'd by email
1/30/18

January 29, 2018

VIA EMAIL

Ms. Martha Frisone, Chief
Ms. Celia Inman, Project Analyst
Healthcare Planning and Certificate of Need Section
Division of Health Services Regulation
North Carolina Department of Health and Human Services
2704 Mail Service Center
Raleigh, NC 27699-2704

Dear Ms. Frisone and Ms. Inman,

RE: Notification of Transaction and Request for "No Review" Determination

The purpose of this letter is to provide notice to the North Carolina Department of Health and Human Services Division, Division of Health Service Regulation ("DHSR"), Certificate of Need Section of the change of the indirect owner of Kindred Hospitals East, LLC d/b/a Kindred Hospital - Greensboro ("Kindred Hospital – Greensboro"), which holds a certificate of need ("CON") in North Carolina, and to request a "no review" determination.

I. THE TRANSACTION

Kindred Healthcare, Inc. ("Kindred"), the ultimate parent company of Kindred Hospital – Greensboro, has entered into an Agreement and Plan of Merger (the "Agreement") with a group of purchasers comprising of TPG Capital ("TPG"), Welsh, Carson, Anderson & Stowe ("WCAS"), Humana Inc. ("Humana") and certain other minority investors, pursuant to which this group of companies would purchase all of Kindred's outstanding and issued securities. The transaction is anticipated to close during the summer of 2018.

Effective as of the closing date:

- TPG, WCAS and certain other minority investors will separate Kindred at Home from the specialty hospital operating companies and form a joint venture with Humana to own Kindred at Home under a newly-formed entity ("Kentucky Homecare Parent Inc."), including home health, hospice and community care businesses; and
- TPG, WCAS and certain other minority investors will own 100% of Kindred's specialty hospital companies, including long term acute care hospital, inpatient rehabilitation facility, and contract rehabilitation service businesses, under a newly-formed entity ("Kentucky Hospital Holdings, LLC").

II. FACILITIES INVOLVED IN TRANSACTION

Kindred is the ultimate parent company of Kindred Hospital – Greensboro. Following the transaction, Kindred Hospital – Greensboro will continue to conduct business under its CON, state license, and Medicare/Medicaid numbers. The transaction simply entails a change at the ultimate parent company level resulting in Kindred Hospital – Greensboro becoming a wholly owned subsidiary of a new ultimate parent company, Kentucky Hospital Holdings, LLC.^{1/} This change will not result in a change in the day-to-day operations, tax identification number, service areas, or the services provided by Kindred Hospital – Greensboro. Please refer to Attachment A for the pre- and post-closing organization charts.

<u>Facility Legal Name</u>	<u>Facility D/B/A Name</u>	<u>License#</u>	<u>County</u>
Kindred Hospitals East, LLC	Kindred Hospital - Greensboro	H0073 ^{2/}	Guilford

III. CERTIFICATE OF NEED REVIEW NOT TRIGGERED

Pursuant to N.C. Gen. Stat. § 131E-178(b) “[n]o person shall make an acquisition by donation, lease, transfer, or comparable arrangement without first obtaining a certificate of need from the Department, if the acquisition would have been a new institutional health service if it had been made by purchase.” However, given that this transaction results in an indirect ownership change with no changes to the licensed entity, we do not believe the transaction is subject to a CON review. Further, an acquisition of “an existing health service facility, including equipment owned by the health service facility at the time of acquisition,” is exempt from certificate of need review pursuant to N.C. Gen. Stat. § 131E-184(a)(8). “Health service facility” is defined by N.C. Gen. Stat. § 131E-176(9b) to include hospitals. Thus, even if this transaction does not qualify for a “no review” determination, we believe that the transaction is exempt from CON review because the transaction involves the acquisition of an existing health service facility. **Therefore, we respectfully request your confirmation that this transaction results in a “no review” or, in the alternative, is exempt from CON review.**

^{1/} As part of this transaction, certain of the direct and indirect parent companies of Kindred Hospital - Greensboro will be converted from corporations to limited liability companies. No change will be made to the tax identification number of any of the direct or indirect parent companies of Kindred Hospital – Greensboro as a result of the conversion.

^{2/} Kindred Hospitals East, LLC also operates a sub-acute unit (“SAU”) under the same state license number and legal entity as the hospital.

If you have any questions or need any additional information, please let me know at your earliest convenience. Thanking you in advance for your prompt attention in this matter.

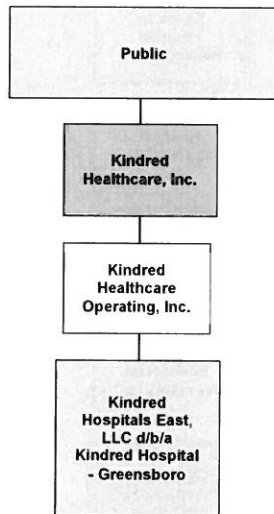
Best Regards,

A handwritten signature in cursive script, appearing to read "Barbara Lankford".

Barbara Lankford
Director, Market Planning

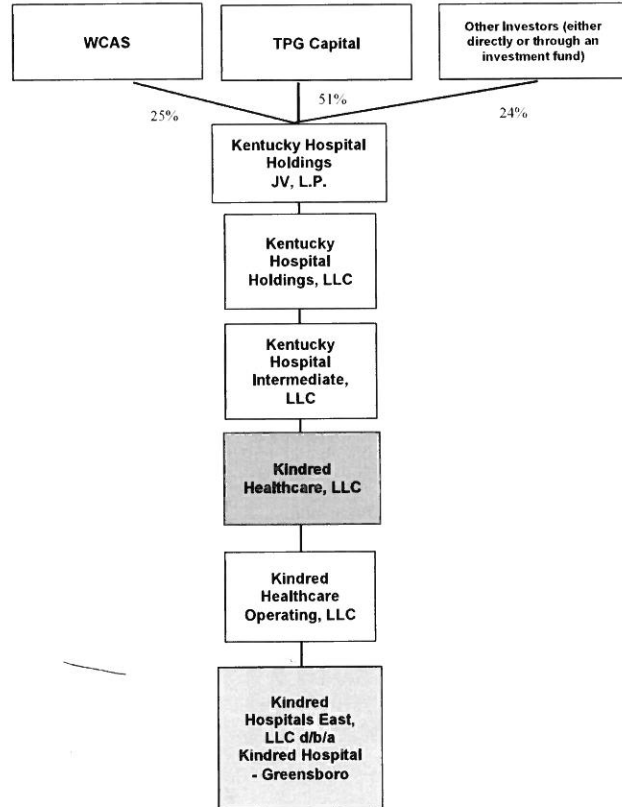
Enclosures: Attachment A - Pre- and Post-Transaction Organization Charts

**NORTH CAROLINA - KINDRED HOSPITALS
(STRUCTURE PRIOR TO TRANSACTION)**



Licensed Facility

NORTH CAROLINA - KINDRED HOSPITALS (STRUCTURE FOLLOWING TRANSACTION)



 Licensed Facility