

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

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Ambassador (Ret.)
Secretary DHHS

Drexdal Pratt
Division Director

April 26, 2013

Terrill J. Harris
Smith Moore Leatherwood
P.O. Box 21927
Greensboro, NC 27401

Exempt from Review – Acquisition of Facility


Facility: Edgewood Place at the Village of Brookwood
Acquisition by: The Moses H. Cone Memorial Hospital Inc. and The Moses H. Cone Memorial Hospital Operating Corporation
County: Alamance
FID #: 001655 (001335)

Dear Ms. Harris:

In response to your letter of April 4, 2013, the above referenced proposal is exempt from certificate of need review in accordance with N.C.G.S 131E-184(a)(8). Therefore, The Moses H. Cone Memorial Hospital Inc. and The Moses H. Cone Memorial Hospital Operating Corporation may proceed to acquire Alamance Regional Medical Center (ARMC) Health Care, including Alamance Extended Care, Inc., which operates Edgewood Place at the Village of Brookwood, without first obtaining a certificate of need. Although your letter indicates that the affiliation will not change the operators as licensees, you should contact the Nursing Home Licensure and Certification Section of the Division of Health Service Regulation to obtain instructions for changing ownership of the existing facilities. Note that pursuant to N.C.G.S. §131E-181(b): *“A recipient of a certificate of need, or any person who may subsequently acquire, in any manner whatsoever permitted by law, the service for which that certificate of need was issued, is required to materially comply with the representations made in its application for that certificate of need.”*

It should be noted that this Agency's position is based solely on the facts represented by you and that any change in facts as represented would require further consideration by this Agency and a separate determination. If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,


Kim Randolph
Project Analyst


Craig R. Smith, Chief
Certificate of Need Section

cc: Nursing Home Licensure and Certification Section, DHSR
Medical Facilities Planning Section, DHSR

Certificate of Need Section

www.ncdhhs.gov

Telephone: 919-855-3873 • Fax: 919-733-8139

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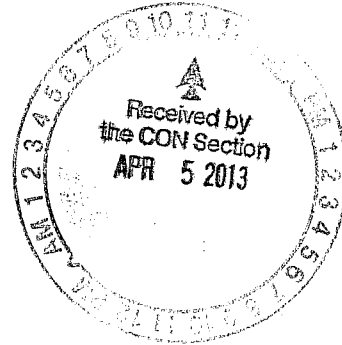


SMITH MOORE LEATHERWOOD

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April 4, 2013

Mr. Craig R. Smith, Chief
Certificate of Need Section
Division of Health Service Regulation
NC Department of Health and Human Services
2704 Mail Service Center
Raleigh, North Carolina 27699-27404



Re: Cone Health Affiliation with Alamance Regional Medical Center

Dear Mr. Smith:

We represent The Moses H. Cone Memorial Hospital d/b/a Cone Health ("Cone Health") and submit this prior written notice of Cone Health's planned affiliation with Alamance Regional Medical Center. Specifically, ARMC Health Care, Alamance Regional Medical Center, Inc. ("Alamance Regional"), and certain affiliated organizations intend to become part of Cone Health effective May 1, 2013, pending final Federal Trade Commission ("FTC") approval.

ARMC Health Care is currently the sole member (i.e. parent entity) of Alamance Regional. ARMC Health Care is also the sole member of Alamance Extended Care, Inc., which operates a skilled nursing facility known as Edgewood Place at the Village of Brookwood ("Edgewood Place"). Pursuant to the transaction, Cone Health will become the sole member (i.e. parent) of ARMC Health Care and an indirect member of Alamance Regional and Alamance Extended Care, Inc. ARMC Health Care will remain a separate legal entity and the sole member of Alamance Regional and Alamance Extended Care, Inc.

After becoming a part of the Cone Health system, Alamance Regional will remain a separately licensed hospital and will retain its separate provider number(s) and accreditation, its leadership, and its staff. Furthermore, the legal entity "Alamance Regional Medical Center, Inc." will continue to operate and control the acute care hospital known as Alamance Regional Medical Center. Similarly, Alamance Extended Care, Inc. will remain a separate legal entity that will continue to operate Edgewood Place.

Alamance Regional and Edgewood Place are existing, licensed health service facilities. The 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. N.C. Gen. Stat. § 131E-184(a)(8). Although the transaction described above does not constitute a direct acquisition of Alamance Regional or Edgewood Place, we are providing this notice of the affiliation and change in control of the parent entity, ARMC Health Care. This change in control

Direct 336.378.5383 | Fax 336.433.7438 | terri.harris@smithmoorelaw.com

Smith Moore Leatherwood LLP ■ Attorneys at Law

PO Box 21927 (27420) 300 North Greene Street Suite 1400 Greensboro, NC 27401 ■ 336.378.5200 ■ www.smithmoorelaw.com
Atlanta, GA ■ Charlotte, NC ■ Charleston, SC ■ Greensboro, NC ■ Greenville, SC ■ Raleigh, NC ■ Wilmington, NC

Mr. Craig R. Smith, Chief

April 4, 2012

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of ARMC Health Care will not change or affect in any way Alamance Regional's pending certificate of need approved-projects or its commitment to those projects.

Based on this information, Cone Health requests that the CON Section confirm that its proposed affiliation with ARMC Health Care, Alamance Regional, and Edgewood Place is exempt from certificate of need review pursuant to N.C. Gen. Stat. § 131E-184(a)(8) or otherwise not subject to certificate of need review.

Additionally, we also request confirmation that the proposed affiliation will not result in the withdrawal of the following certificates of need for projects where the development is not yet complete:

1. Project I.D. No. G-10032-12: Replace linear accelerator/Alamance County.
2. Project I.D. No. G-8828-12: Alamance Regional Medical Center/Renovate and expand emergency and surgery departments, upgrade central energy plant, and relocate the Cancer Center and rehabilitation services/Alamance County

Following the transaction, the holder of the certificates will remain the same, and Alamance Regional will remain the licensed entity, as detailed above. Therefore, the proposed affiliation does not constitute a transfer of "ownership or control of the facility, the project, or the certificate of need" pursuant to N.C. Gen. Stat. § 131E-189(c).

Even if the proposed affiliation were to be considered a change in control pursuant to N.C. Gen. Stat. § 131E-189(c), good cause exists for this transaction. Neither of these projects was the reason for or the driving force behind the proposed affiliation. The CON Section has on a number of past occasions approved good cause transfers in comparable circumstances. Additionally, the need for the above projects has been demonstrated to the CON Section and not challenged by any third party. No purpose would be served by preventing or delaying the availability of these much needed services to patients. By law, Alamance Regional is required to comply and has every intention of complying with all the terms and conditions of the certificates of need issued for the above projects. The overall objectives of the CON statute will be satisfied.

Because the anticipated closing is May 1, 2013, we would appreciate an expedited response to this notice. Please contact me if you have any questions or need any additional information.

Mr. Craig R. Smith, Chief
April 4, 2012
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With kindest regards, I am

Very truly yours,

SMITH MOORE LEATHERWOOD LLP

A handwritten signature in cursive script that reads "Terrill Harris".

Terrill Johnson Harris

cc: Jodi Knox, Esq. (Counsel for ARMC Health Care)