



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

Pat McCrory
Governor

Aldona Z. Wos, M.D.
Ambassador (Ret.)
Secretary DHHS

Drexdal Pratt
Division Director

December 23, 2013

Mr. Marcus C. Hewitt
301 Fayetteville Street
Suite 1700
Raleigh, NC 27601

Exempt from Review

Facility: Sentara Albemarle Regional Medical Center, LLC
Project Description: Acquire the mobile diagnostic program operated by Regional Medical Services
Surgery Center
County: Dare
FID #: 001332

Dear Mr. Hewitt:

In response to your letter of November 26, 2013 the above referenced proposal is exempt from certificate of need review in accordance with N.C.G.S 131E-184(a)(&). Therefore, you may proceed to offer, develop or establish the above referenced project without a certificate of need.

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 Certificate of Need Section. 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.

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

Sincerely,

Bernetta Thorne-Williams
Bernetta Thorne-Williams
Project Analyst

Craig R. Smith
Craig R. Smith, Chief
Certificate of Need Section

cc: Medical Facilities Planning Section, DHSR



Certificate of Need Section
www.ncdhhs.gov
Telephone: 919-855-3873 • Fax: 919-733-8139
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



WILLIAMS MULLEN

Direct Dial: 919.981.4308
mhewitt@williamsmullen.com

Received by
the CON Section
NOV 26 2013

November 26, 2013

VIA HAND DELIVERY

Craig R. Smith, Chief
Certificate of Need Section
Division of Facility Services
N.C. Dept. of Health and Human Services
809 Ruggles Drive
Raleigh, NC 27603

Re: Notice of Exempt Transaction – Acquisition of mobile diagnostic program
Project ID No. R-6293-00

Dear Mr. Smith

We are writing on behalf of Sentara Albemarle Regional Medical Center, LLC (“Sentara”) a wholly-owned subsidiary of Sentara Healthcare. Pursuant to N.C. Gen. Stat. § 131E-184(a), we are writing to provide the Agency with prior written notice of Sentara’s planned acquisition of an existing mobile diagnostic program currently owned and operated by Regional Medical Services, Inc. (“RMS”), that serves host sites in Dare County (the “Mobile Program”). The Mobile Program includes a mobile MRI scanner subject to a certificate of need (Project ID No. R-6293-00), which is a GE Signa L1001PB 1.5T MRI scanner, serial no. 159FA482X31182588, housed in a mobile coach (collectively “MRI Scanner”).

The Transaction

Sentara intends to enter into a transaction with RMS under which certain assets of RMS will be acquired by Sentara. Among other things, Sentara will acquire substantially all of the Mobile Program’s assets, including but not limited to:

- The MRI Scanner,
- All licenses, certifications, approvals and permits, including the CON for Project ID No. R-6293-00,
- All books and records, including patient files and medical records;
- Supplies, inventory and equipment,
- Personal property (including but not limited to medical equipment)
- Working capital (including but not limited to cash, receivables, prepaid expenses, inventories and supplies)
- Other assets used in the operation of the Mobile Program or in conjunction with its provision of health care services.

23830864_1

WILLIAMS MULLEN

Craig R. Smith
November 26, 2013
Page 2

Sentara will acquire and begin operation of the mobile diagnostic program that RMS currently operates on or about 1 January 2014. The acquisition will be by transfer or by long-term lease. If the Mobile Program is acquired by Lease, the term of the lease shall be for a period of 30 years with optional renewal periods. The capital expenditure for the transaction that includes the acquisition of the Mobile Program will be in excess of \$2,000,000.00.

Exemption Notice

Pursuant to N.C. Gen. Stat. § 131E-176(16)b, the obligation by any person of a capital expenditure exceeding two million dollars (\$2,000,000) which relates to the provision of a health service constitutes a new institutional health service. Also, pursuant to § 131E-176(16)f1, the acquisition of certain types of equipment, including MRI scanners, constitutes a new institutional health service, regardless of expense. Therefore, the acquisition of the MRI Scanner and the Mobile Program would constitute a new institutional health service.

However, the acquisition described herein is exempt from certificate of need review pursuant to G.S. 131E-184(a), which states:

Except as provided in subsection (b), the Department shall exempt from certificate of need review a new institutional health service if it receives prior written notice from the entity proposing the new health service, which notice includes an explanation of why the new health service is required, for any of the following . . . (8) To acquire an existing health service facility, including equipment owned by the health service facility at the time of acquisition.

There is no definition of "acquisition" for purposes of the certificate of need statute, but elsewhere in the statute a lease is specifically deemed an "acquisition" (see N.C. Gen. Stat. § 131E-176(16)f1). Further, if the acquisition is by long-term lease, such lease would clearly constitute an acquisition for purposes of N.C. Gen. Stat. § 131E-184(a)(8) in light of the 30-year minimum term of the lease and because Sentara will lease substantially all of the Mobile Program's assets and will operate the Mobile Program in place of RMS.

The Mobile Program currently operated by RMS is an existing "diagnostic center" as defined in N.C. Gen. Stat. § 131E-176(7a), and therefore constitutes an existing "health service facility" as defined by N.C. Gen. Stat. § 131E-176(9b).

All the assets of the Mobile Program that will be acquired by Sentara will be utilized for the continued operation of the Mobile Program. Therefore, the capital expenditure and the acquisition of the equipment listed above are necessary for the acquisition of an existing health service facility, and the MRI Scanner constitutes equipment owned by the health service facility at the time of the acquisition. Accordingly, the acquisition described herein is exempt from review pursuant to N.C. Gen. Stat. § 131E-184(a)(8).

WILLIAMS MULLEN

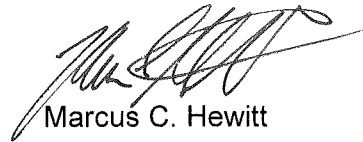
Craig R. Smith
November 26, 2013
Page 3

Conclusion

Pursuant to N.C. Gen. Stat. § 131E-184(a), Sentara hereby provides the Agency prior written notice of the proposed asset acquisition and the basis upon which it is exempt from certificate of need review. Sentara is to commence operating the Mobile Program on or about 1 January 2014. Therefore we would greatly appreciate it if the Agency would confirm the exemption for the acquisition as described herein as soon as possible.

Thank you for your consideration, and we look forward to the Agency's response.

Very truly yours,



Marcus C. Hewitt

cc: Deb Anderson
Jeff King
Joe Kahn