



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

June 7, 2013

S. Todd Hemphill
3105 Glenwood Avenue, Suite 300
Raleigh, NC 27612

Exempt from Review – Acquisition of Facility

Facility: Warsaw Health and Rehabilitation
Acquisition by: The Kornegay Company, LLC
County: Duplin
FID #: 923122

Dear Mr. Hemphill:

In response to your letter of May 17, 2013, the acquisition of the wing owned by Duplin General Hospital by The Kornegay Company, LLC is exempt from certificate of need review in accordance with N.C.G.S 131E-184(a)(8). Therefore, The Kornegay Company, LLC may proceed to acquire the wing owned by Duplin General Hospital in the above referenced health service facility without first obtaining a certificate of need. However, you need to contact the Nursing Home Section of the Division of Health Service Regulation to obtain instructions for changing ownership of the existing facility. 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,

Martha J. Frisone
Assistant Chief

Craig R. Smith, Chief
Certificate of Need Section

cc: Nursing Home Licensure and Certification 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

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JOHN T. BODE
W. DAVIDSON CALL
ROBERT V. BODE
ODES L. STROUPE, JR.
S. TODD HEMPHILL
MATTHEW A. FISHER
DAVID R. BROYLES



BODE, CALL & STROUPE, L.L.P.

ATTORNEYS AT LAW
3105 GLENWOOD AVENUE, SUITE 300
RALEIGH, NORTH CAROLINA 27612

(919) 881-0338
TELECOPIER (919) 881-9548

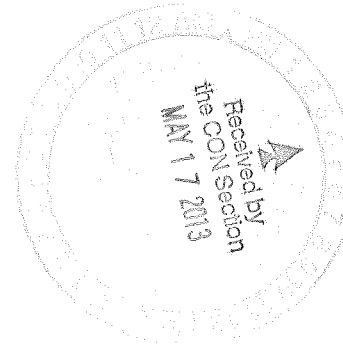
JOHN V. HUNTER III
RETIRED

MAILING ADDRESS
POST OFFICE BOX 6338
RALEIGH, NORTH CAROLINA
27628-6338

May 17, 2013

VIA HAND DELIVERY

Martha J. Frisone, Assistant Chief
Paula Quirin, Project Analyst
Certificate of Need Section
N.C. Department of Health and Human Services
Division of Health Service Regulation
805 Biggs Drive
Raleigh, North Carolina 27603



Re: Request for Letter of Exemption for Acquisition of Nursing Facility
Warsaw Health and Rehabilitation (License No. NH0418)
214 Lanefield Road
Warsaw, NC 28398

Dear Ms. Frisone and Ms. Quirin:

We are writing you on behalf of our client, The Kornegay Company, LLC (“Kornegay”), a North Carolina limited liability company, requesting the CON Section to issue, pursuant to G.S. §131E-184(a)(8), a letter determining that Kornegay’s anticipated acquisition of the building housing a wing of the above nursing facility is exempt from certificate of need review, within the meaning of the certificate of need law.

The background regarding this transaction is as follows. On October 15, 2011, Kornegay, Duplin General Hospital and Kornegay Healthcare, Inc. filed a CON application (Project I.D. No. P-8728-11) to relocate 20 nursing facility beds from DGH, into a wing of the GlenCare of Warsaw (now known as Warsaw Health and Rehabilitation) facility.¹ As set forth on page 1 of the Agency’s December 2, 2011 Required State Agency Findings approving the application:

Kornegay Company, LLC (Lessor) and Duplin General Hospital, Inc. (Lessee) propose to transfer 20 nursing facility beds from Duplin General Hospital to a wing in Glencare

¹ At the time of the application, Kornegay Healthcare, Inc. was the Facility lessee. Since that time, Kornegay Healthcare, Inc. has been replaced as lessee by Sovran Senior Living, LLC (“Sovran”). The Agency was notified of this change, and the CON issued for the project included Sovran as the Facility lessee. See Exhibit A hereto.

Ms. Frisone
Ms. Quirin
May 17, 2013
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(known as the DGH Wing) and lease the land to Duplin General Hospital pursuant to a ground lease. Duplin General Hospital will sublease the DGH wing to Glencare. Kornegay Healthcare Inc. will eliminate 26 existing ACH beds in order to accommodate the transfer of the 20 nursing facility beds from Duplin General Hospital. Kornegay Healthcare Inc. will operate the entire Glencare facility including the DGH wing as a 100-bed nursing facility. The applicants assume that after the project is complete, Duplin General Hospital will transfer all its interests in the nursing facility beds, the ground lease will be terminated and Kornegay will lease the entire Glencare of Warsaw facility directly to Glencare.

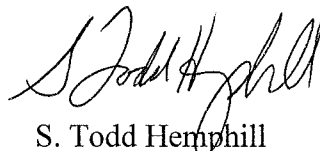
The beds in the DGH Wing have now been certified as part of the facility, as reflected in the letter and license issued by the N.C. Department of Health and Human Services, Division of Health Service Regulation, Nursing Home Licensure and Certification Section, attached hereto as Exhibit B. The parties are prepared to move forward with the transaction. Duplin General Hospital, Sovran and Kornegay have entered into an Asset Purchase Agreement, whereby Kornegay will acquire Duplin General Hospital's interest in the DGH Wing, contingent upon Agency approval. Thereafter, Kornegay will own the entire facility, and directly lease the facility to Sovran as the operator/lessee.

By this letter, we are providing notice to the CON Section, pursuant to G.S. §131E-184(a). Because this project involves the acquisition of an existing health service facility, we believe that Kornegay's acquisition of the DGH Wing is exempt from CON review pursuant to G.S. §131E-184(a)(8). We would appreciate your office reviewing this information and advising us that our analysis is correct and that this acquisition is not subject to CON review.

Thank you very much for your attention to this matter. Should you have any questions, please do not hesitate to contact me.

Very truly yours,

BODE, CALL & STROUPE, L.L.P.



S. Todd Hemphill

STH/sh

cc w/enc (via e-mail only): George R. Kornegay/Kevin M. Kornegay
Edward R. Gallagher, Esq.
Thomas Ward, Esq.

STATE OF NORTH CAROLINA

Department of Health and Human Services
Division of Health Service Regulation

CERTIFICATE OF NEED

for

Project Identification Number #P-8728-11

FID #923122

ISSUED TO: Duplin General Hospital, Inc.
The Kornegay Company, LLC
Sovran Senior Living, LLC
214 Lanefield Road
Warsaw, NC 28398

Pursuant to N.C. Gen. Stat. § 131E-175, et. seq., the North Carolina Department of Health and Human Services hereby authorizes the person or persons named above (the "certificate holder") to develop the certificate of need project identified above. The certificate holder shall develop the project in a manner consistent with the representations in the project application and with the conditions contained herein and shall make good faith efforts to meet the timetable contained herein. The certificate holder shall not exceed the maximum capital expenditure amount specified herein during the development of this project, except as provided by N.C. Gen. Stat. § 131E-176(16)e. The certificate holder shall not transfer or assign this certificate to any other person except as provided in N.C. Gen. Stat. § 131E-189(c). This certificate is valid only for the scope, physical location, and person(s) described herein. The Department may withdraw this certificate pursuant to N.C. Gen. Stat. § 131E-189 for any of the reasons provided in that law.

SCOPE: Duplin General Hospital, Inc., The Kornegay Company, LLC, and Sovran Senior Living, LLC shall relocate the 20 nursing facility beds at Duplin General Hospital to Warsaw Health and Rehabilitation (formerly GlenCare of Warsaw) for a total of no more than 100 nursing facility beds and no adult care home beds at Warsaw Health and Rehabilitation upon project completion/ Duplin County

CONDITIONS: See Reverse Side

PHYSICAL LOCATION: Warsaw Health & Rehabilitation (formerly GlenCare of Warsaw)
214 Lanefield Road
Warsaw, NC 28398

MAXIMUM CAPITAL EXPENDITURE: \$175,000

TIMETABLE: See Reverse Side

FIRST PROGRESS REPORT DUE: December 31, 2012

This certificate is effective as of the 5th day of June, 2012.


Chief, Certificate of Need Section
Division of Health Service Regulation

CONDITIONS:

1. Duplin General Hospital, Inc., The Kornegay Company, LLC and Sovran Senior Living, LLC shall materially comply with all representations made in the certificate of need application and in the supplemental materials dated April 18, 2012. In those instances where representations conflict, Duplin General Hospital, Inc., Kornegay Healthcare, Inc. and Sovran Senior Living, LLC shall comply with the later representation.
2. Duplin General Hospital, Inc. shall relocate the 20 existing nursing facility beds at Duplin General Hospital to Warsaw Health and Rehabilitation (formerly GlenCare of Warsaw).
3. Upon licensure of the 20 nursing facility beds at Warsaw Health and Rehabilitation, Duplin General Hospital shall take the necessary steps to de-license the 20 nursing facility beds on the hospital's license.
4. Upon project completion, Warsaw Health and Rehabilitation shall be licensed for no more than 100 nursing facility beds and no adult care home beds.
5. The Kornegay Company, LLC and Sovran Senior Living, LLC shall submit all patient charges and actual per diem reimbursement rates for each source of patient payment to the CON Section at year end for each of the first two operating years following licensure of the beds at Warsaw Health and Rehabilitation.
6. The Kornegay Company, LLC and Sovran Senior Living, LLC shall receive the Medicaid per diem reimbursement rates allowed by the Division of Medical Assistance, under the NC State Plan Section .0102.
7. For the first two full federal fiscal years of operation following completion of the project, actual private pay charges shall not be increased more than 5% of the projected private pay charges provided in Section X of the application without first obtaining a determination from the Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.

TIMETABLE:

50% completion of construction	February 15, 2013
Completion of construction	March 1, 2013
Occupancy	March 31, 2013



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

May 16, 2013

Mr. Justin Dixon, Administrator
Warsaw Health & Rehabilitation Center
214 Lanefield Road
Warsaw, NC 28398-9510

JustinLeeDixon@yahoo.com

RE: Licensure and Certification Bed Addition, Reduction, and Relocation
Warsaw Health & Rehabilitation Center - License No. NH0418
FID # 923122
CMS Certification Number: 345252
Effective: May16, 2013

Dear Mr. Dixon:

Enclosed is a new license, which reflects the following change:

FROM	TO
80 NF	100 NF
26 ACH	0 ACH

In addition to the licensure change noted above, a change was made to bed certification. Effective May 16, 2013, the Medicare/Medicaid beds increased from 80 to 100 and the Adult Care Beds had a reduction from 26 to 0. All beds are dually certified.

Please inform the Medicare Administrative Contactor regarding these changes.

Notice of Right to Appeal. You have the right to appeal this decision pursuant to the provisions of Article 3 of Chapter 150B of the North Carolina General Statutes. In order to preserve this right, you must file a petition for

Nursing Home Licensure and Certification Section

<http://www.ncdhhs.gov/dhsr/>

Tel 919-855-4520 • Fax 919-733-8274

Location: 1205 Umstead Drive • Raleigh, NC 27603

Mailing Address: 2711 Mail Service Center • Raleigh, NC 27699-2711

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Mr. Justin Dixon, Administrator
Warsaw Health & Rehabilitation Center
May 16, 2013
Page 2

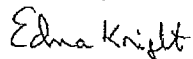
contested case hearing in the Office of Administrative Hearings. Your petition must be received by the Office of Administrative Hearings no later than thirty days after the date on which this letter was mailed to you. For complete instructions on the filing of a petition, you may write or call the Office of Administrative Hearings at the following address and telephone number:

Office of Administrative Hearings
424 North Blount Street
Post Office Drawer 27447
Raleigh, NC 27611-7447 - Telephone (919) 733-0926

If you file a petition for contested case hearing, you must also serve a copy of the petition on the Department of Health and Human Services. You may serve the Department by mailing a copy of your petition to Emery I. Milliken, General Counsel, at the following address: Department of Health and Human Services, Office of Legal Affairs, Adams Building, Room 111, 2005 Mail Service Center, Raleigh, NC 27699-2005.

If we may be of further assistance to you at any time, please let us know.

Sincerely,



Edna Knight
Administrative Assistant I

Enclosure: NH0418

cc: Ms. Sharon Wilder, Division of Aging and Adult Services
Mr. Brian Passineua, DMA, Rate Analyst
Ms. Elizabeth Grady, DMA
Ms. Tabitha Lee, DMA, Rate Setting
Mr. Craig Smith, Certificate of Need, DHSR
Mr. Patrick Baker, Medical Facilities Planning Section, DHSR
Ms. Kelli Fisk, Medical Facilities Planning Section, DHSR
Ms. Paula Nichols, Construction Section, DHSR
Mr. Mark Werner, Manager, NC Blue Cross-Blue Shield
Ms. Dianne Enright, Division of Public Health, DHS
Mr. Mike D'Alessio, DMA Audit Section
Mr. Hubert DeHaven, DMA Audit Section
Ms. Tina Pickett, Controller's Office
ncdma.dhsrnotice@lists.ncmail.net
Ms. Karen Outland, NCHCFA

State of North Carolina

Department of Health and Human Services
Division of Health Service Regulation

Effective May 16, 2013, this license is issued to

SSL of Warsaw NC LLC

to operate a nursing facility known as

Warsaw Health & Rehabilitation Center

located in Warsaw, Duplin County

*This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2013.*

Facility ID: 923122

License Number: NH0418

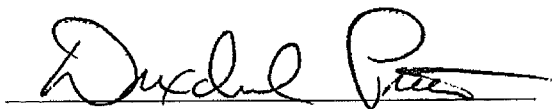
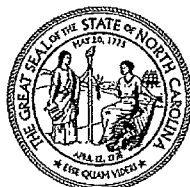
Bed Capacity: 100

Nursing Facility Beds 100

Authorized by:



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



Director, Division of Health Service Regulation