



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

September 23, 2013

Travis G. Lloyd
Bradley Arant Boult Cummings LLP
1600 Division Street
Suite 700
Nashville, TN 37203

No Review

Facility or Business: Hamlet Hospital (formerly Sandhills Regional Medical Center)
Project Description: Acquisition of Health Management Associates, Inc., the parent company of the company that owns the facility, by CHS/Community Health Systems, Inc.
County: Richmond
FID #: 923227

Dear Mr. Lloyd:

The Certificate of Need Section (CON Section) received your letter of September 17, 2013 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.

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.

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



Mr. Travis G. Lloyd
September 23, 2013
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Please contact the CON Section if you have any questions. Also, in all future correspondence you should reference the Facility I.D. # (FID) if the facility is licensed.

Sincerely,



Gloria C. Hale, Project Analyst



Craig R. Smith, Chief
Certificate of Need Section

cc: Medical Facilities Planning Branch, DHSR
Acute and Home Care Licensure and Certification Section, DHSR

September 17, 2013

Via Overnight Delivery

Mr. Craig R. Smith
North Carolina Department of Health and Human Services
Division of Health Service Regulation
Certificate of Need Section
809 Ruggles Drive
Raleigh, North Carolina 27603


Received by
the CON Section
SEP 19 2013

Re: Certificate of Need; Request for Determination of Reviewability

Dear Mr. Smith:

I am writing on behalf of our client, Community Health Systems, Inc. ("CHSI"). The purpose of this letter is to request a formal determination regarding whether a proposed transaction involving CHSI and Health Management Associates, Inc. ("HMA") is subject to certificate of need ("CON") review under North Carolina law. As described more fully below, it is our understanding that the proposed transaction will not require CON review.

Description of the Proposed Transaction

HMA is a publicly-traded corporation that, by and through its subsidiaries, owns and operates 71 hospitals and various other health care facilities in 15 states, including three hospitals and one home health agency located in North Carolina. CHSI is a publicly-traded corporation and one of the nation's leading operators of general acute care hospitals. The organization's affiliates own, operate, or lease 135 hospitals in 29 states. CHSI and HMA are parties to an Agreement and Plan of Merger that, subject to the satisfaction or waiver of certain conditions, will result in the merger of HMA with an indirect, wholly-owned subsidiary of CHSI (the "Proposed Transaction"). As a result, following the closing of the Proposed Transaction, HMA will cease to be a publicly-traded corporation and will become an indirect, wholly-owned subsidiary of CHSI.

Enclosed for your reference as Exhibit A is a listing of the hospitals and home health agency located in North Carolina in which HMA has an ownership interest (each, a "Facility" and collectively, the "Facilities").¹ In addition, enclosed as Exhibit B are ownership charts showing the ownership structure of each of the Facilities before and after the closing of the Proposed Transaction. As you can see, the Proposed Transaction will not result in any change in the direct ownership of the legal entities that own and operate the Facilities. Instead, the

¹ Please be advised that, other than the Facilities, HMA does not have an ownership interest in any other health care facilities that are subject to North Carolina CON law.

Proposed Transaction will result in a change in the ownership structure several levels up the ownership chain from the legal entities that own and operate the Facilities. In each case, the legal entity that owns and operates the Facility will retain its assets, and there will be no change in the direct ownership of its stock. The legal entities that own and operate the Facilities will also retain their respective legal business names and federal tax identification numbers. Accordingly, the Proposed Transaction will not result in a change of ownership of any of the Facilities for Medicare purposes. In addition, other than changes resulting in the ordinary course of business, no change in the local governing bodies or day-to-day operations of the Facilities is anticipated as a result of the Proposed Transaction.

Applicable Law

It is our understanding that the Proposed Transaction will not require CON review, and that no other filings will be required in connection with the Proposed Transaction. Under North Carolina law, a CON is required for the “acquisition by donation, lease, transfer, or comparable arrangement ... if the acquisition would have been a new institutional health service if it had been made by purchase.” N.C. Gen. Stat. § 131E-178(b). The term “new institutional health services” is defined to include “[t]he purchase, lease, or acquisition of any health service facility, or portion thereof, or a controlling interest in the health service facility or portion thereof, if the health service facility was developed under a certificate of need issued pursuant to [N.C. Gen. Stat. § 131E-180].” N.C. Gen. Stat. § 131E-176(16)(l). As reflected in Exhibit B, the Proposed Transaction will not result in the purchase, lease, or acquisition of the Facilities, nor will it result in the purchase, lease, or acquisition of a controlling interest in the Facilities. Rather, the legal entities that own and operate the Facilities will remain the same following the closing of the Proposed Transaction. The transfer of upstream ownership interests contemplated by the Proposed Transaction will take place several levels above the legal entities that own and operate the Facilities.

Although it is our understanding that the Proposed Transaction will not constitute an “acquisition” for purposes of North Carolina CON law, it should be noted that the acquisition of an existing health service facility is, in any event, exempt from CON review pursuant to N.C. Gen. Stat. § 131E-184(a)(8), provided that prior written notice is provided to the North Carolina Department of Health and Human Services (the “Department”). In the event that the Department determines that the Proposed Transaction will constitute an acquisition of an existing health service facility, please allow this letter to serve as the notice required under N.C. Gen. Stat. § 131E-184(a) and a request for confirmation that the Proposed Transaction is exempt from CON review.

Request for Determination

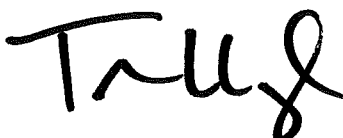
We respectfully request a determination from your office regarding whether the Proposed Transaction is subject to CON review under North Carolina law. In addition, if any other filings are required in connection with the Proposed Transaction, we ask that you inform us of the relevant requirements.

Mr. Craig R. Smith
September 17, 2013
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Thank you for your consideration of this request. If you have any questions, or if you require any additional information, please do not hesitate to contact me at (615) 252-2306 or tlloyd@babc.com.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

By: 
Travis G. Lloyd

Enclosures

cc: Carol A. Hendry, Esq.

EXHIBIT A

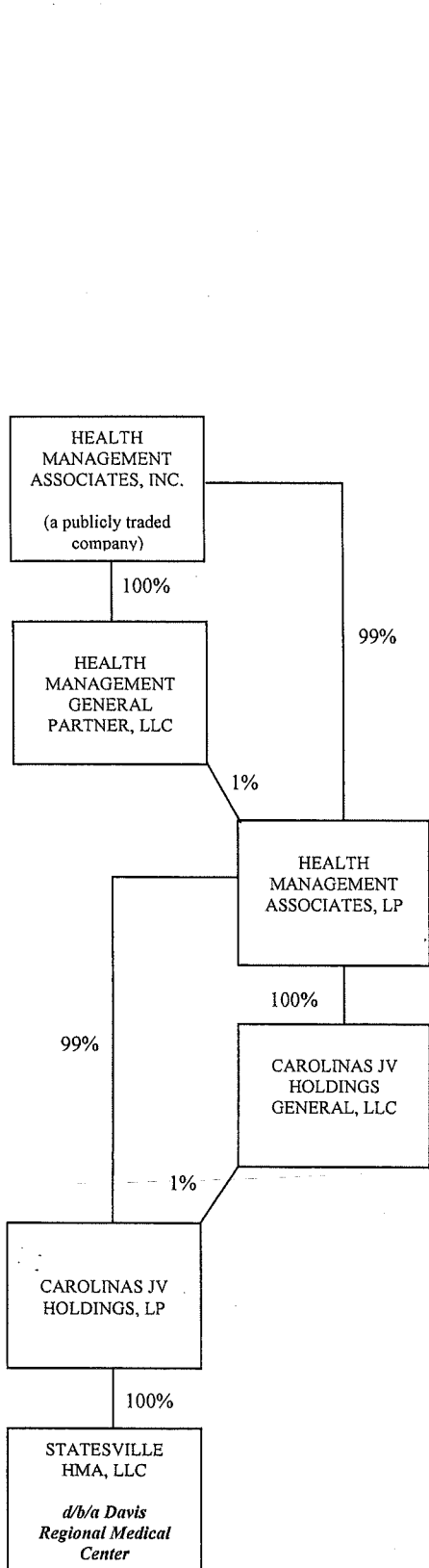
HMA HOSPITALS AND HOME HEALTH AGENCIES IN NORTH CAROLINA

FACILITY NAME	LEGAL ENTITY	FACILITY TYPE	LICENSE NO.	LOCATION
Davis Regional Medical Center	Statesville HMA, LLC	Hospital	H0248	Statesville, NC
Lake Norman Regional Medical Center	Mooreville Hospital Management Associates, LLC	Hospital	H0259	Mooreville, NC
Lake Norman Regional Medical Center - Home Care	Mooreville Hospital Management Associates, LLC	Home Health Agency	347215	Mooreville, NC
Sandhills Regional Medical Center	Hamlet H.M.A., LLC	Hospital	H0265	Hamlet, NC

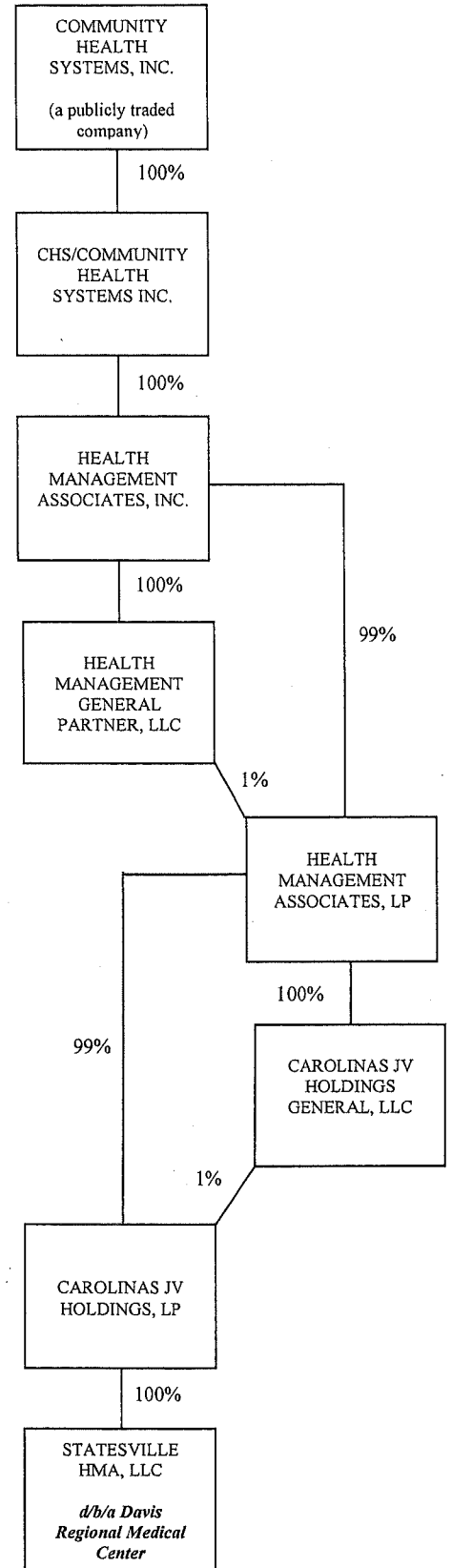
EXHIBIT B

STATESVILLE HMA, LLC D/B/A DAVIS REGIONAL MEDICAL CENTER

PRE-TRANSACTION STRUCTURE

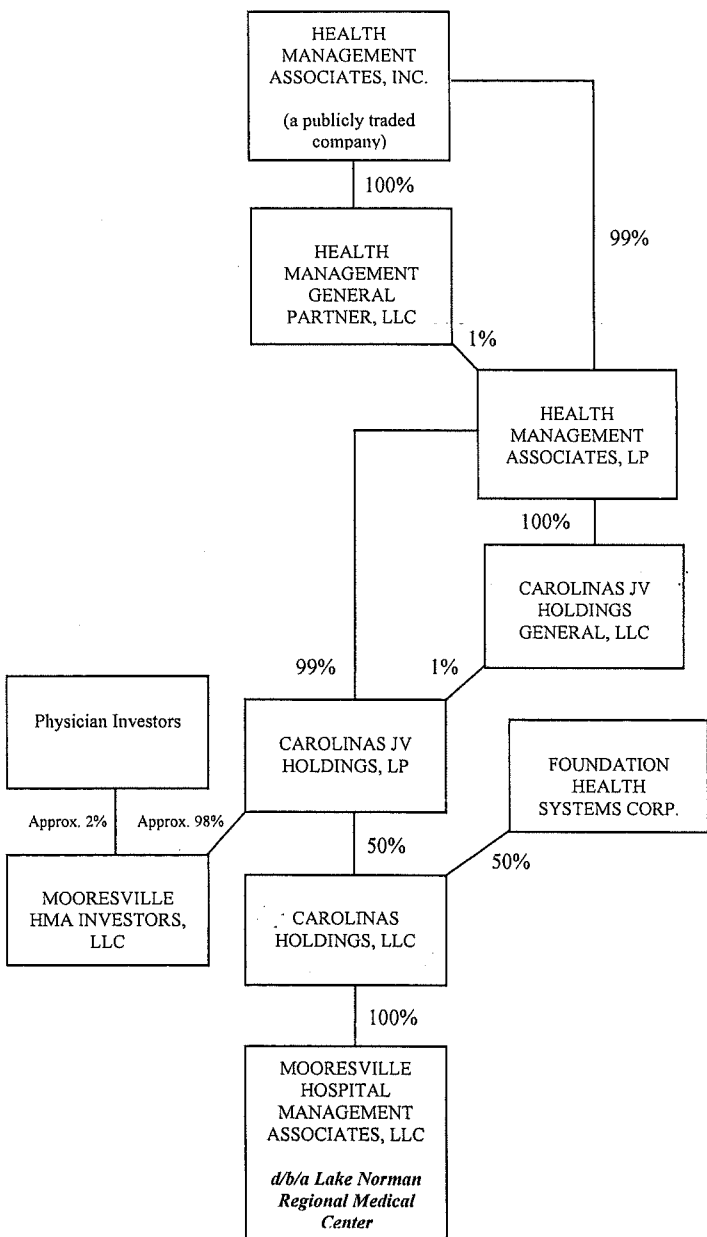


POST-TRANSACTION STRUCTURE

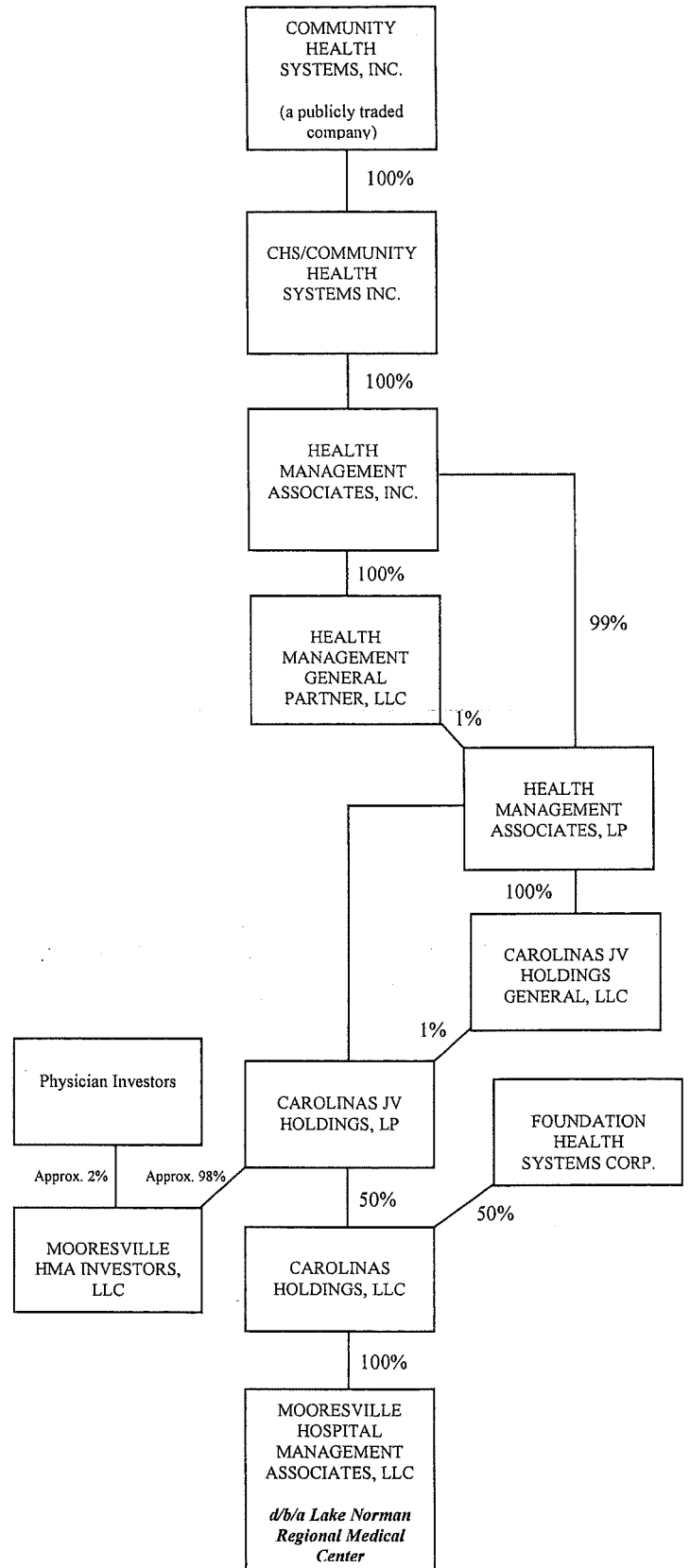


MOORESVILLE HOSPITAL MANAGEMENT ASSOCIATES, LLC
D/B/A LAKE NORMAL REGIONAL MEDICAL CENTER

PRE-TRANSACTION STRUCTURE

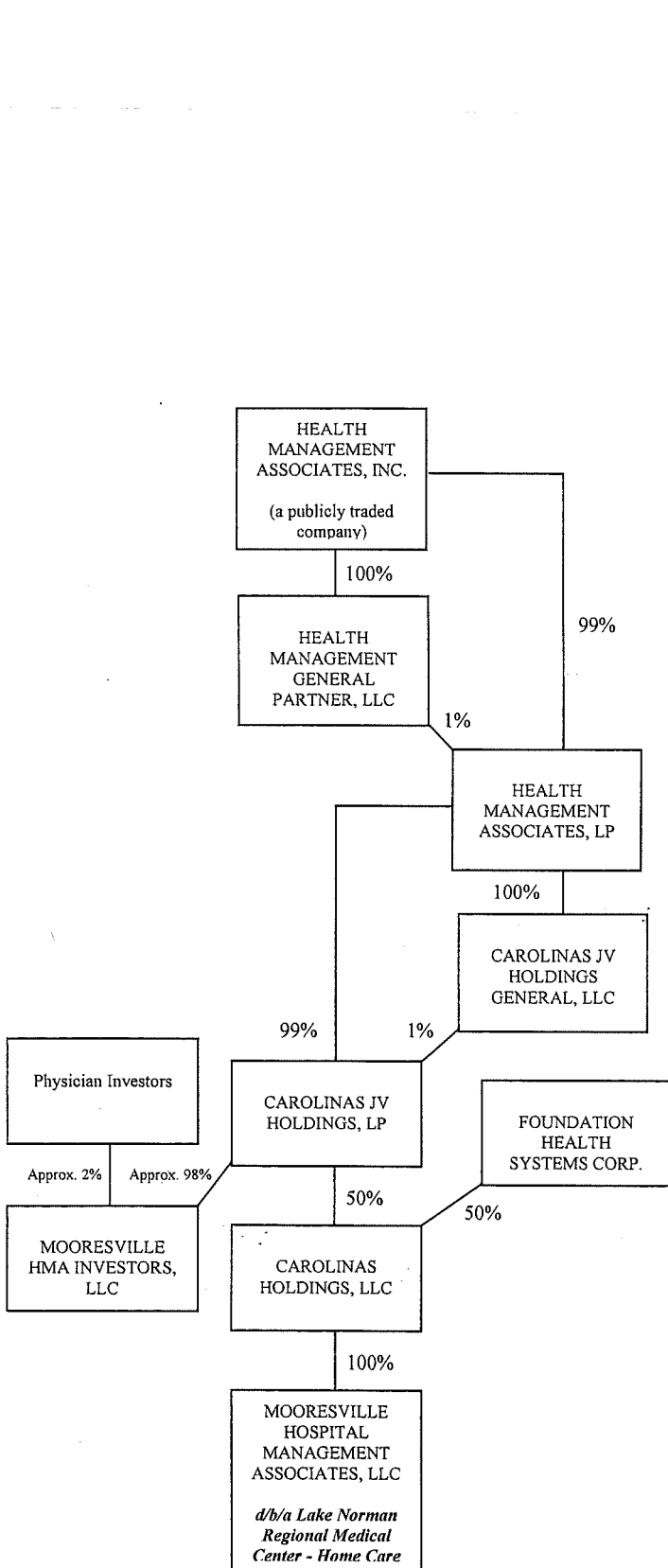


POST-TRANSACTION STRUCTURE

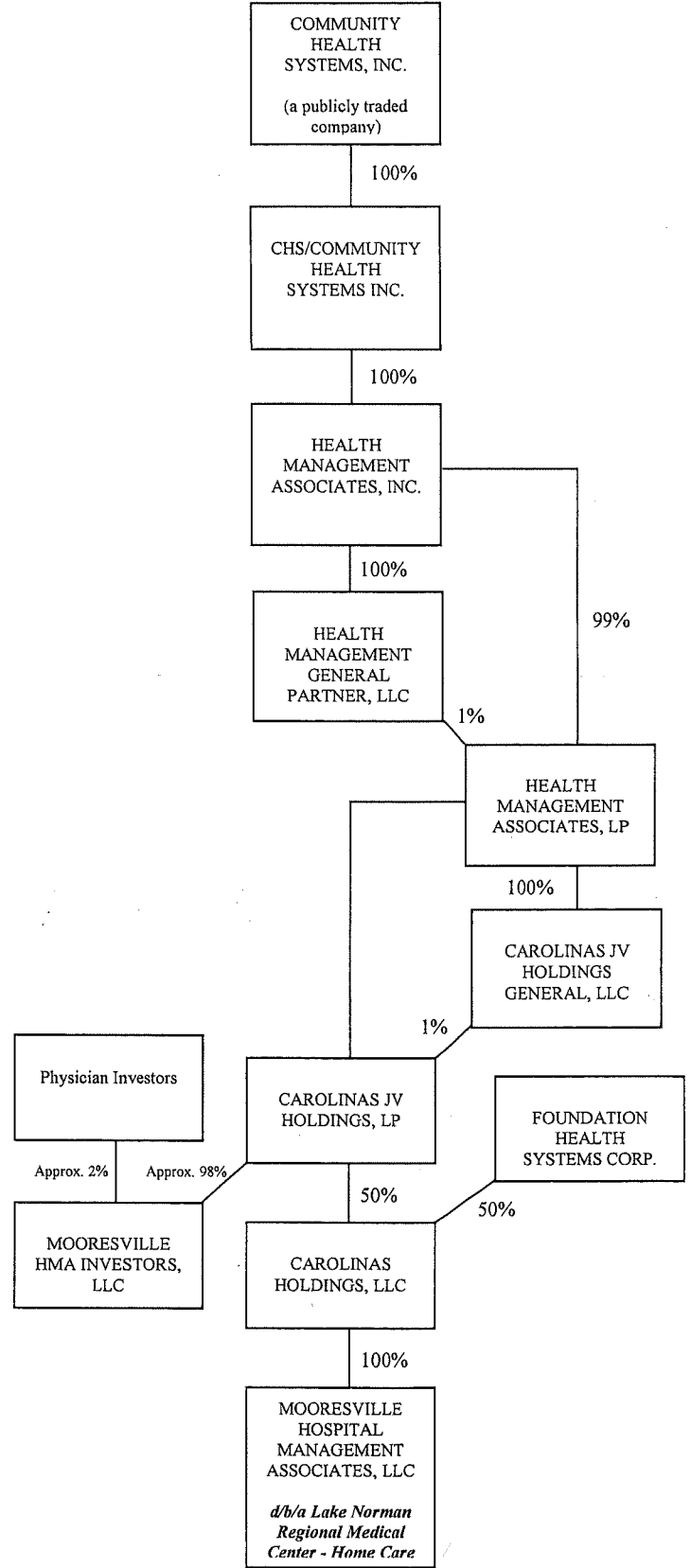


MOORESVILLE HOSPITAL MANAGEMENT ASSOCIATES, LLC
D/B/A LAKE NORMAL REGIONAL MEDICAL CENTER - HOME CARE

PRE-TRANSACTION STRUCTURE

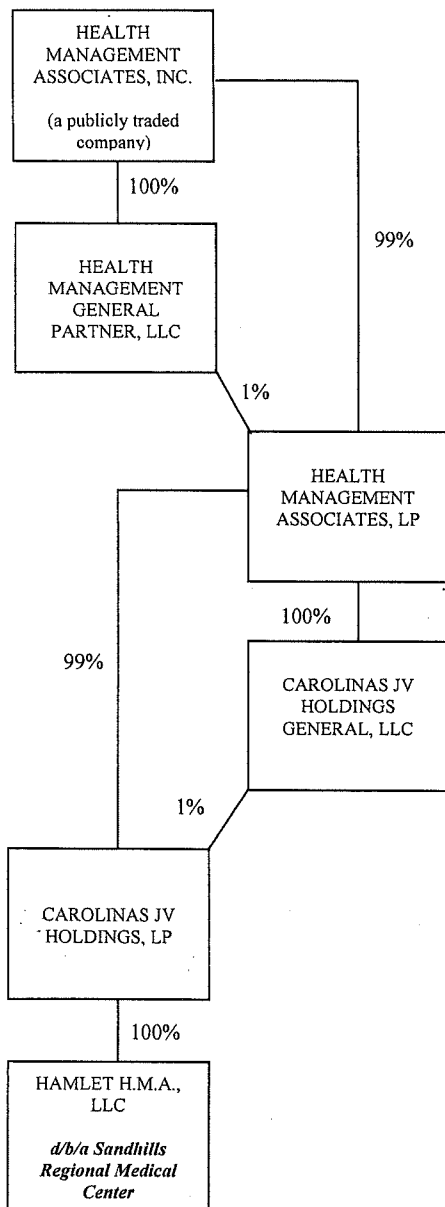


POST-TRANSACTION STRUCTURE



HAMLET H.M.A., LLC D/B/A SANDHILLS REGIONAL MEDICAL CENTER

PRE-TRANSACTION STRUCTURE



POST-TRANSACTION STRUCTURE

