



DEPARTMENT OF HEALTH AND HUMAN SERVICES
 DIVISION OF HEALTH SERVICE REGULATION

ROY COOPER
 GOVERNOR

MANDY COHEN, MD, MPH
 SECRETARY

MARK PAYNE
 DIRECTOR

June 30, 2017

Gary S. Qualls
 430 Davis Drive, Suite 400
 Morrisville, NC 27560

Exempt from Review

Record #: 2311
Facility Name: University of North Carolina Hospitals
FID #: 923517
Business Name: University of North Carolina Hospitals at Chapel Hill
Business #: 1900
Project Description: Construct a new surgical tower to accommodate the relocation of 24 existing operating rooms, 56 existing licensed acute care beds, central sterile processing, educational conference rooms and classrooms
County: Orange

Dear Mr. Qualls:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letter of June 22, 2017 the above referenced proposal is exempt from certificate of need review in accordance with N.C. Gen. Stat. §131E-184(g). Therefore, you may proceed to offer, develop or establish the above referenced project without a certificate of need.

However, you need to contact the Agency's Construction and Acute and Home Care Licensure and Certification Sections 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 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 Agency. 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
 Project Analyst

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

cc: Construction Section, DHR
 Acute and Home Care Licensure and Certification Section, DHR
 Paige Bennett, Assistant Chief, Healthcare Planning, DHR

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



June 22, 2017

Gary S. Qualls
Gary.qualls@klgates.com

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F +1 919 516 2072

Via Hand Delivery

Martha Frisone
Chief
Department of Health and Human Services
Division of Health Service Regulation
Healthcare Planning and Certificate of Need
Section
809 Ruggles Drive
Raleigh, North Carolina 27603



Re: University of North Carolina Hospitals at Chapel Hill's Exemption Notice Regarding Replacement Surgical Tower

Dear Ms. Frisone:

Pursuant to N.C. Gen. Stat. § 131E-184(g), the University of North Carolina Hospitals at Chapel Hill ("UNCH") gives this prior written notice of a proposed exempt project. As you know, UNCH is a licensed hospital and is thus an existing "health service facility" under the CON Law. See N.C. Gen. Stat. § 131E-176(9b). This Exempt Project entails construction of a Surgical Tower that will be adjacent and connected to the current Main Campus Hospital Building,¹ which houses the current beds and operating rooms, located at 101 Manning Drive, Chapel Hill, North Carolina. The new Replacement Surgical Tower will have the same address.

Exemption Provisions

This Exempt Project falls within the "Main Campus Exemption Provisions" in N.C. Gen. Stat. § 131E-184(g)(1)-(3). Main Campus Exemption Provisions provide as follows:

- (g) The Department shall exempt from the certificate of need review and any capital expenditure that exceeds the two million dollar (\$2,000,000) threshold set forth in G.S. 131E-176(16)b if all of the following conditions are met:

¹ Although some portions of UNCH's Main Campus Hospital Building have different names, they are all connected as one single Main Campus Building. See Exhibits 1 and 2.

- (1) The sole purpose of the capital expenditure is to renovate, replace on the same site, or expand the entirety or a portion of an existing health service facility that is located on the main campus.
- (2) The capital expenditure does not result in (i) a change in bed capacity as defined in G.S. 131E-176(5) or (ii) the addition of a health service facility or any other new institutional health service facility other than that allowed in G.S. 131E-176(16)b.
- (3) The licensed health service facility proposing to incur the capital expenditure shall provide written notice to the Department along with supporting documentation to demonstrate that it meets the exemption criteria of this subsection.

For purposes of the foregoing Main Campus Exemption Provisions in Section 131E-184(g), the term “main campus” is defined in N.C. Gen. Stat. § 131E-176(14n) as follows:

- (14n) “Main campus” means all of the following for the purpose of G.S. 131E-184(f) and (g) only:
- a. The site of the main building from which a licensed health service facility provides clinical patient services and exercises financial and administrative control over the entire facility, including the buildings and grounds adjacent to that main building.
 - b. Other areas and structures that are not strictly contiguous to the main building but are located within 250 yards of the main building.

Here, the proposed Replacement Surgical Tower will actually be connected to the existing UNCH Main Campus Hospital Building, as shown in Exhibits 1 and 2. Clinical patient services, financial control, and administrative control of UNCH are provided in the Main Campus Hospital Building, to which the proposed new Surgical Tower will be connected. Only existing health services currently offered at UNCH will be provided as a result of this Exempt Project.

In accordance with Section 131E-184(g)(2), the Exempt Project’s capital expenditures will “not result in (i) a change in bed capacity as defined in G.S. 131E-176(5) or (ii) the addition of a health service facility or any other new institutional health service facility other than that allowed in G.S. 131E-176(16)b.” No new operating rooms will be developed and no major medical equipment will be acquired as a result of this Exempt Project.

The capital expenditure for the Replacement Surgical Tower will exceed \$2 million. The current estimated capital expenditure is \$290 Million. See Exhibit 3.

Project Summary

The Replacement Surgical Tower will be constructed in the southwest corner of the Hospital directly in front of the Memorial Hospital segment of the Main Campus Hospital Building. The Replacement Surgical Tower will connect to the Main Campus Hospital Building on basement, ground, second floor, and possibly the fourth floor. The primary purpose of the Replacement Surgical Tower will be to provide replacement operating rooms meeting current design guidelines and co-location of inpatient bed services typically associated with surgery.

Operating Rooms

A total of 24 ORs will be relocated. As shown in Exhibit 1:

- 16 of the relocated ORs will be relocated from the main OR suite on the 2nd floor of the Memorial Hospital segment of the Main Campus Hospital Building;
- three (3) ORs will be relocated from the OR annex suite, also on the 2nd floor of the Memorial Hospital segment of the Main Campus Hospital Building; and
- five (5) ORs will be relocated from the 4th floor OR suite in the Patient Support segment of the Main Campus Hospital Building.

The placement of ORs in the Replacement Surgical Tower is depicted, level by level, in Exhibit 2. Planning for the backfill of those areas is still being developed. It is anticipated that they will be used for some type of procedural function that could potentially utilize the existing rooms. Once that planning is completed, a separate CON request may be submitted for any backfill projects and they will be treated as discrete projects.

Inpatient Beds

Fifty six (56) acute care beds are proposed to be relocated to the Replacement Surgical Tower. As shown in Exhibit 1, these relocated beds include:

- 16 beds from the Surgical ICU (SICU);
- 16 beds from Neurosurgery ICU (NSICU);
- nine (9) beds from the Cardiothoracic ICU (CTICU);
- 13 beds from the Cardiac ICU (CICU); and

- two (2) beds from the Medicine ICU (MICU).

The final service line and bed distribution in the Replacement Surgical Tower is still being developed, but they will likely be combined into just three services (SICU, CTICU, and NSICU). The vacated beds will be used as observation beds.

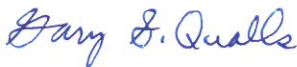
Other Supporting Services

Central sterile processing will be relocated to the Replacement Surgical Tower with the surgical services administrative and business offices. Educational conference/classrooms will be included as well. The ground floor lobby will provide typical patient access and amenities such as registration, discharge waiting, and food service or coffee bar. See Exhibit 2.

Conclusion

Based on the foregoing information, UNCH requests that the Agency provide a written response confirming that UNCH's Replacement Surgical Tower, which is located on UNCH's main campus, is exempt from certificate of need review. We thank you for your consideration for this notice.

Sincerely,

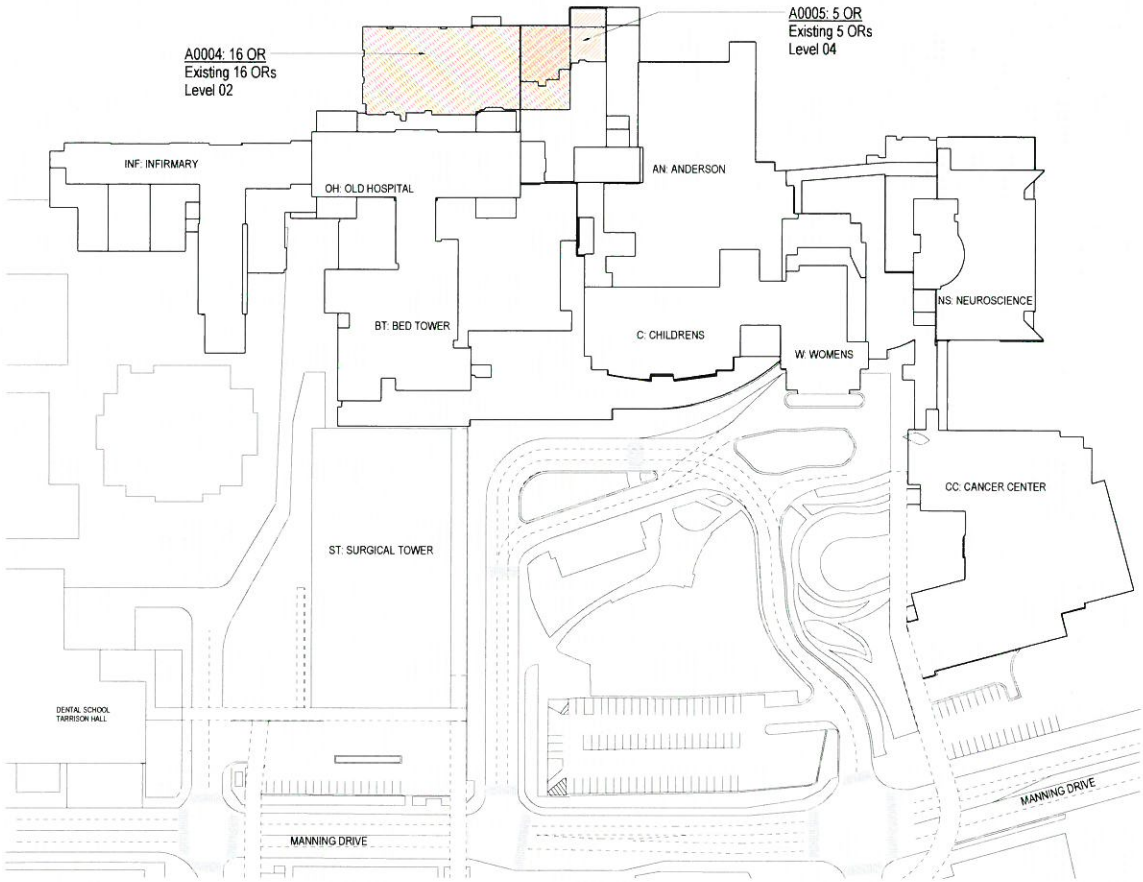


Gary S. Qualls

Enclosures

Exhibit List

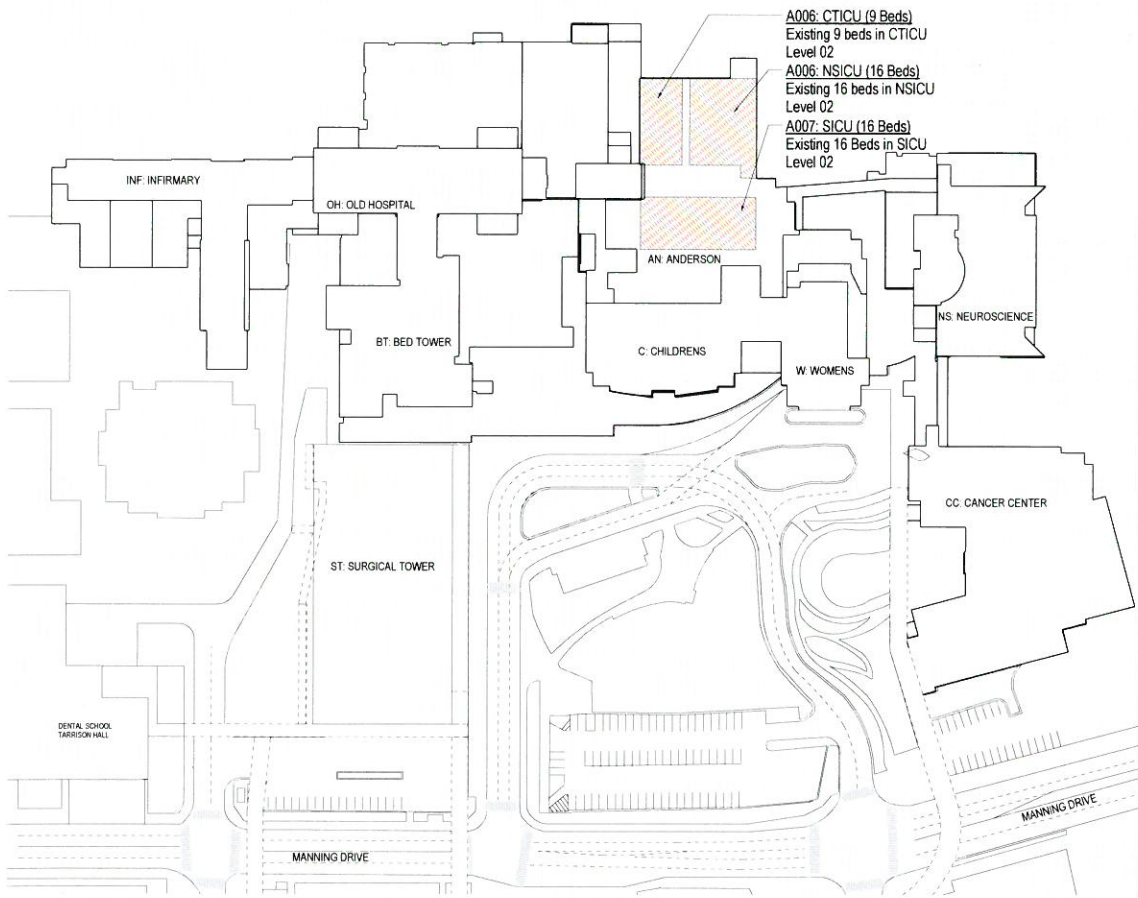
1. Line Drawings Showing Physical Relationship of Existing Main Campus Hospital Building to new Replacement Surgical Tower and Current Locations of Existing Beds and Operating Rooms to be Relocated to Replacement Surgical Tower
2. Line Drawings Showing Physical Relationship of Existing Main Campus Hospital Building to new Replacement Surgical Tower and Locations of Relocated Beds and Operating Rooms in Replacement Surgical Tower
3. Certified Cost Estimate for the Exempt Replacement Surgical Tower



A 0001 EXISTING OR CON - CAMPUS SITE PLAN
 SCALE: 1" = 50'-0"
 JOB NO.: 08148111-01
 DATE: 06/24/11
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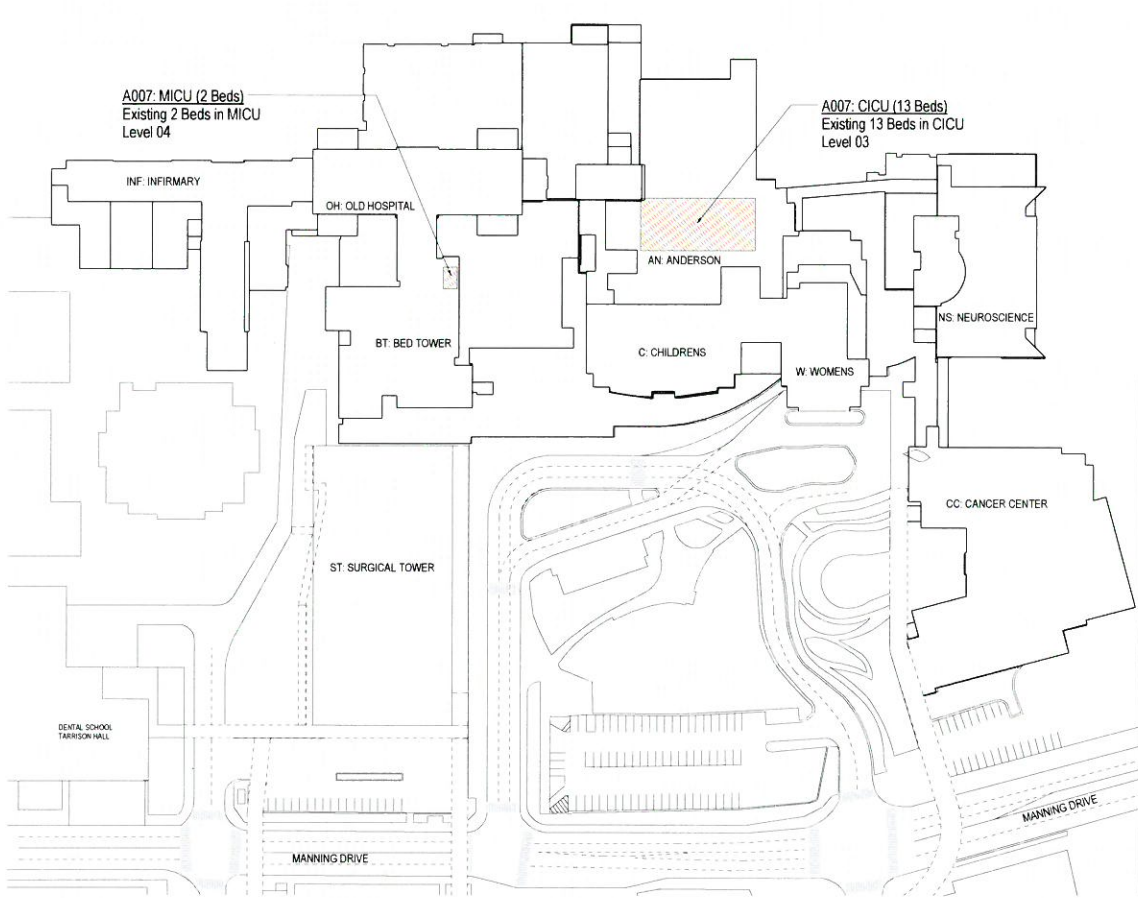
WHR ARCHITECTS
 1000 W. Hargett Street
 Suite 2000
 Charlotte, NC 28202
 Phone: 704.375.1234
 Fax: 704.375.1235
 www.whrarchitects.com



A 0002 EXISTING BED CON - SITE PLAN
 SCALE: 1" = 50'-0"
 JOB NO: 031001101
 DATE: 06/01/11



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 ARCHITECTS
 1000 W. HARRIS STREET
 RALEIGH, NC 27601
 TEL: 919.974.1000
 FAX: 919.974.1001
 WWW.WHRARCHITECTS.COM



A007: MICU (2 Beds)
Existing 2 Beds in MICU
Level 04

A007: CICU (13 Beds)
Existing 13 Beds in CICU
Level 03

A 0003 EXISTING BED CON - SITE PLAN
SCALE 1" = 50'-0"
JOB NO. 081004111
DATE 08/01/11
Copyright © 2011 W&R Architects



W&R ARCHITECTS
ARCHITECTS
1000 W. HARRIS STREET
CARRIEDALE, NC 27513
704.286.1111
www.wandrar.com

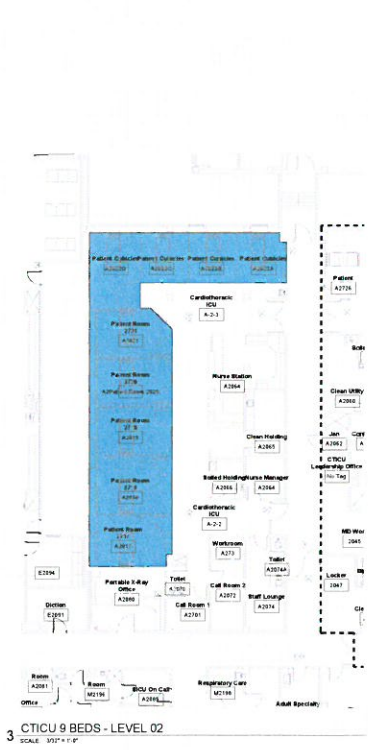


A 0005 EXISTING OR LOCATION - 5 OR LEVEL 04
 SCALE: 1/8" = 1'-0"
 JOB NO: 05104131
 DATE: 04/26/17



UNC
 HEALTH CARE
 UNC SURGICAL TOWER

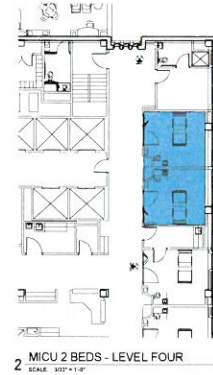
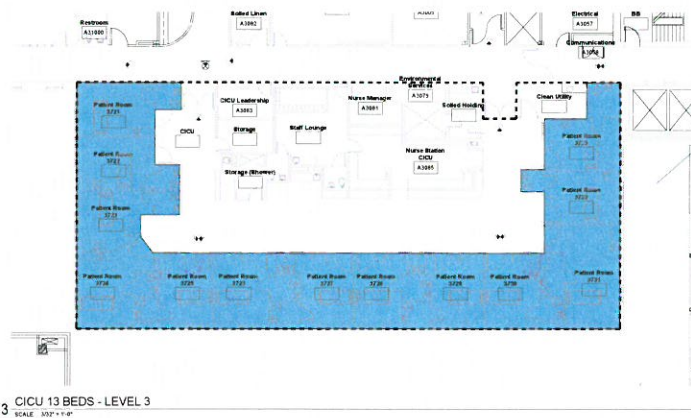
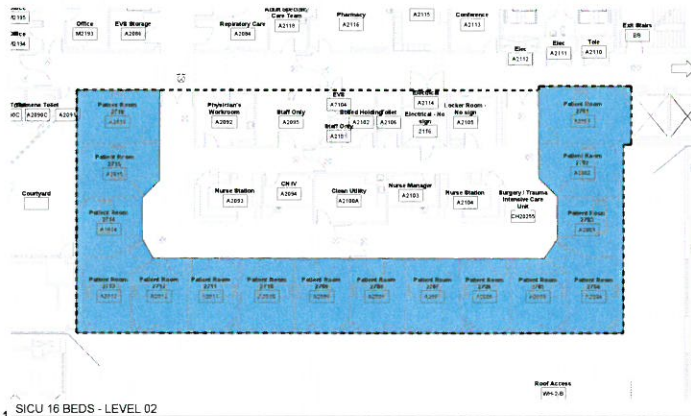
WHR ARCHITECTS
 10000 Park Road
 Raleigh, NC 27617
 TEL: 919.873.4400

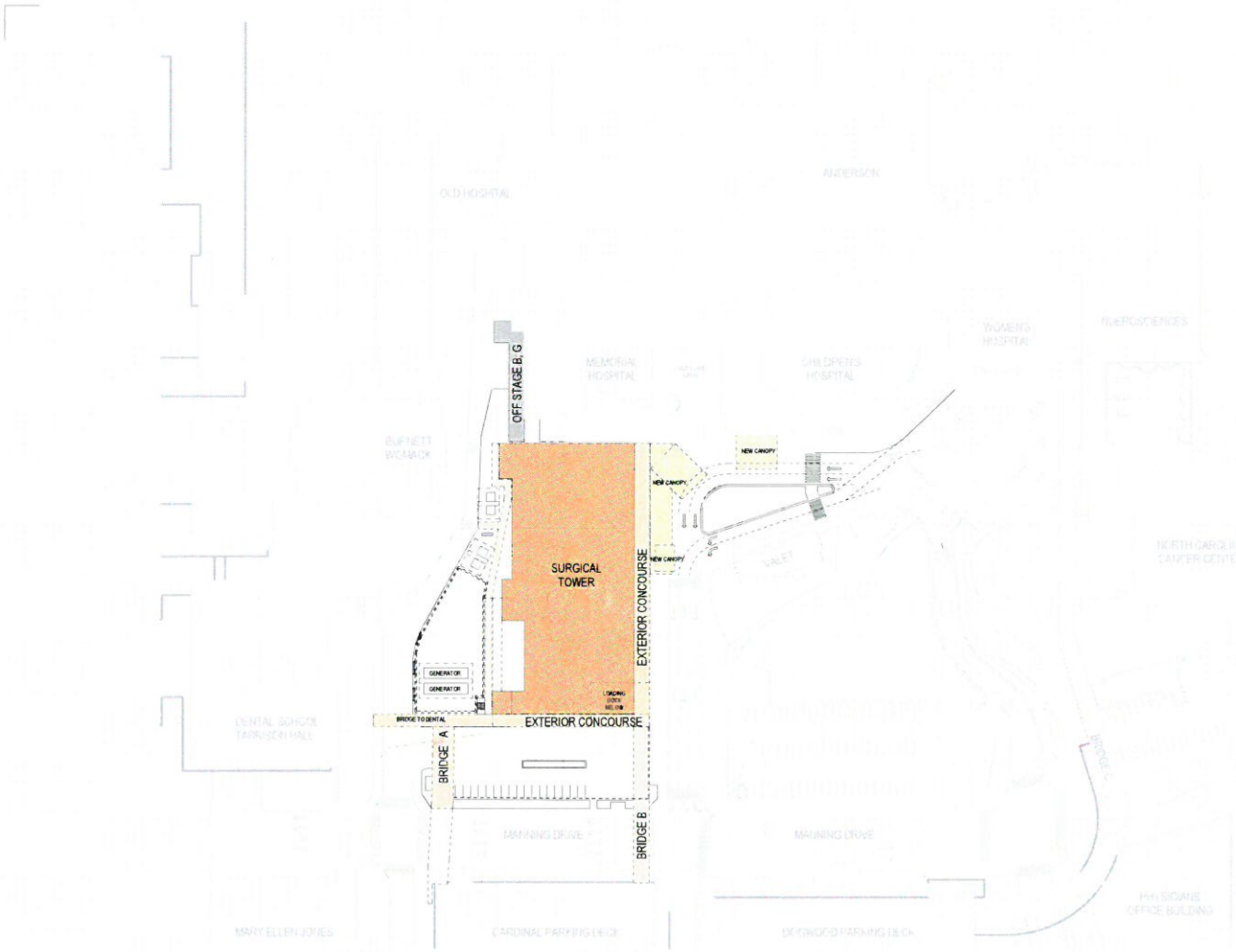


3 CTICU 9 BEDS - LEVEL 02
SCALE: 3/32" = 1'-0"



1 NSICU 16 BEDS - LEVEL 02
SCALE: 3/32" = 1'-0"



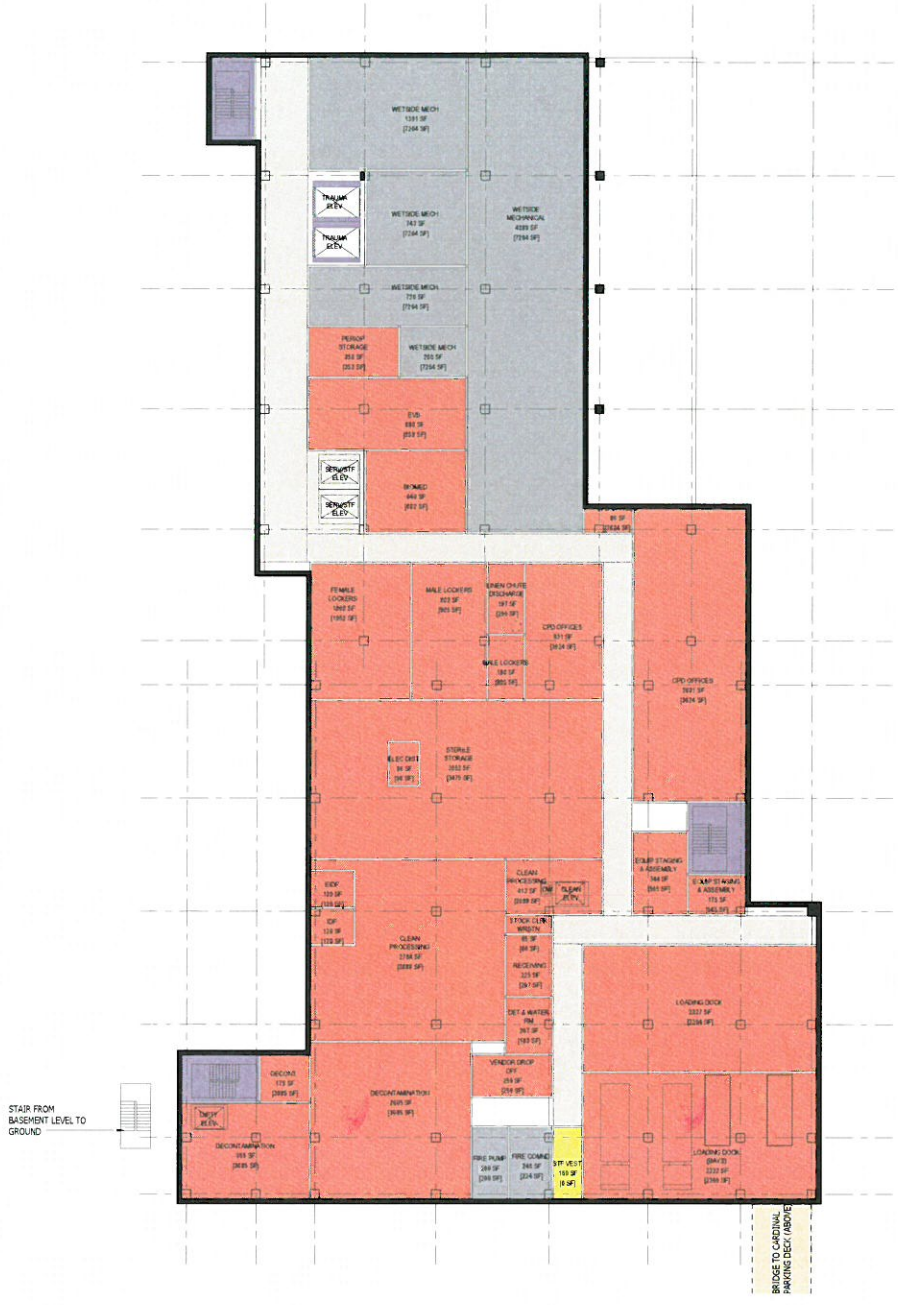


A 001 UNC CAMPUS SITE PLAN
 SCALE: 1/8" = 1'-0"
 DATE: 08/11/10
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UNC
 REALITY CARE
UNC SURGICAL TOWER

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 ...

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 - VERTICAL CIRCULATION

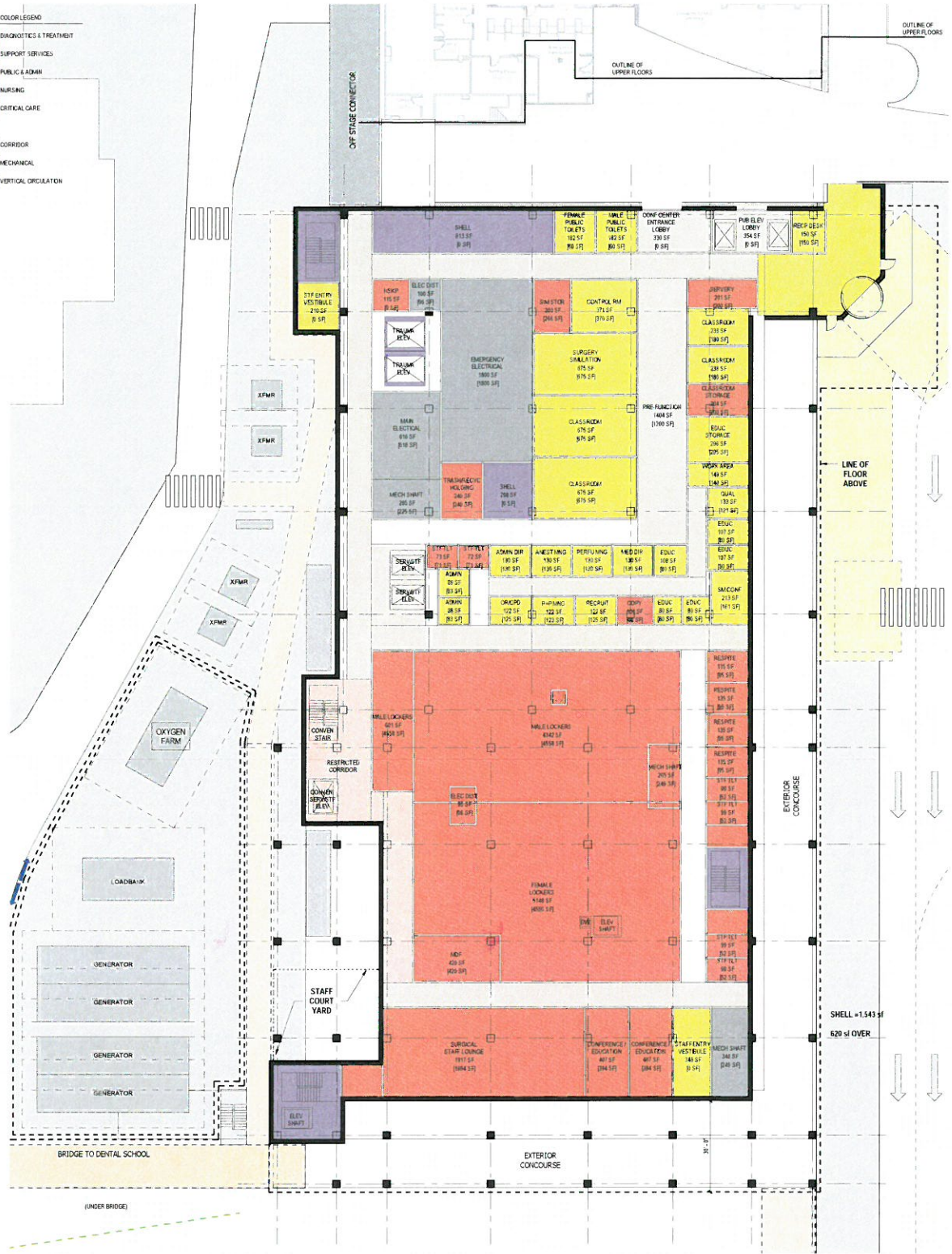


BASEMENT FLOOR PLAN (240R'S)
 SCALE: 1/8" = 1'-0"
 JOB NO.: 001606.01
 DATE: 01/11/17
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 - VERTICAL CIRCULATION



GROUND FLOOR PLAN (24 ORs)
 SCALE: 1/8" = 1'-0"
 JOB NO.: 601005.1.01
 DATE: 01/11/17
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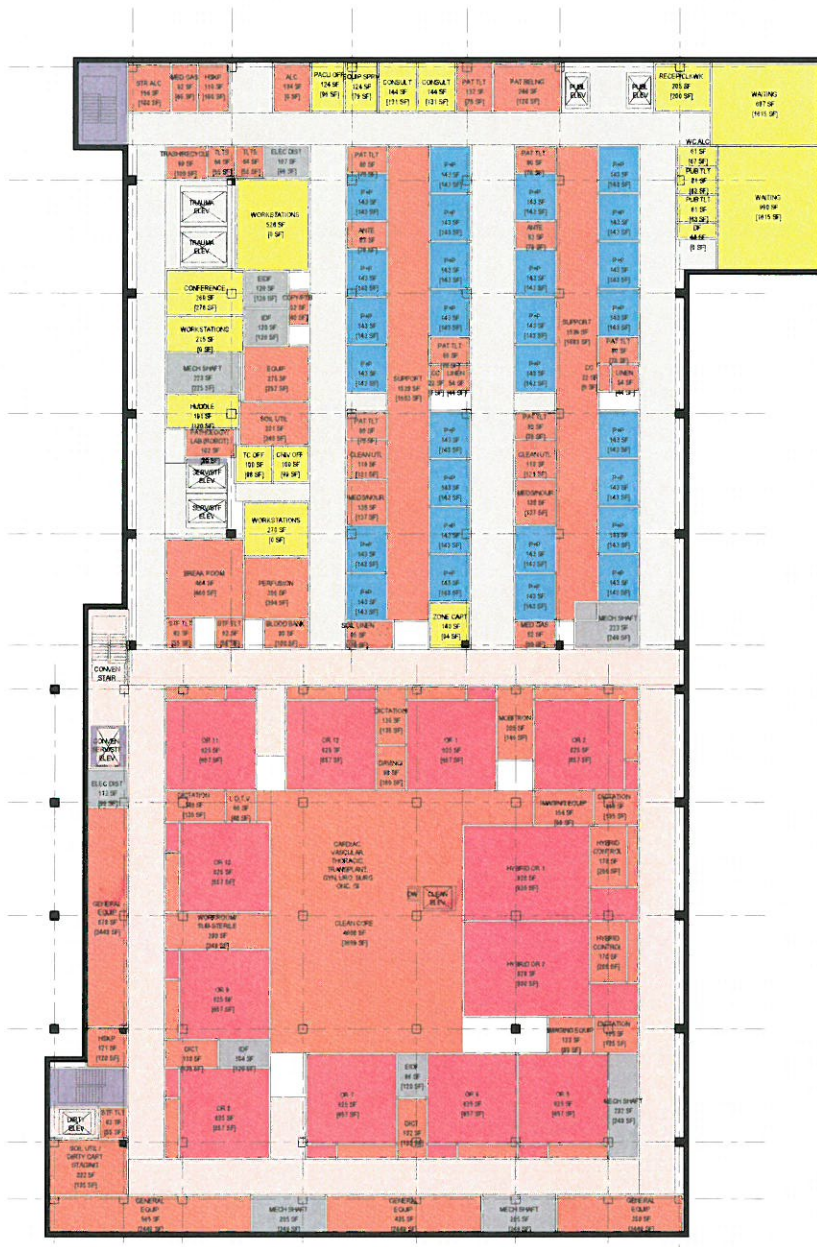
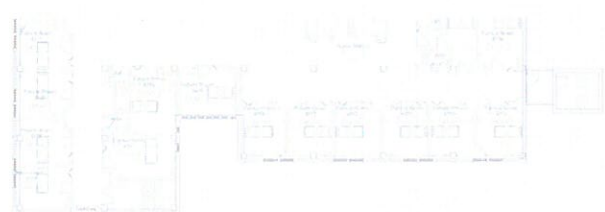
- COLOR LEGEND
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 - CRITICAL CARE
 - CORRIDOR
 - MECHANICAL
 - VERTICAL CIRCULATION



LEVEL 2 PLAN (24 ORs)
 SCALE: 1/8" = 1'-0"
 JOB NO: 6016961.01
 DATE: 01/11/17
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COLOR LEGEND

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- CORRIDOR
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- VERTICAL CIRCULATION

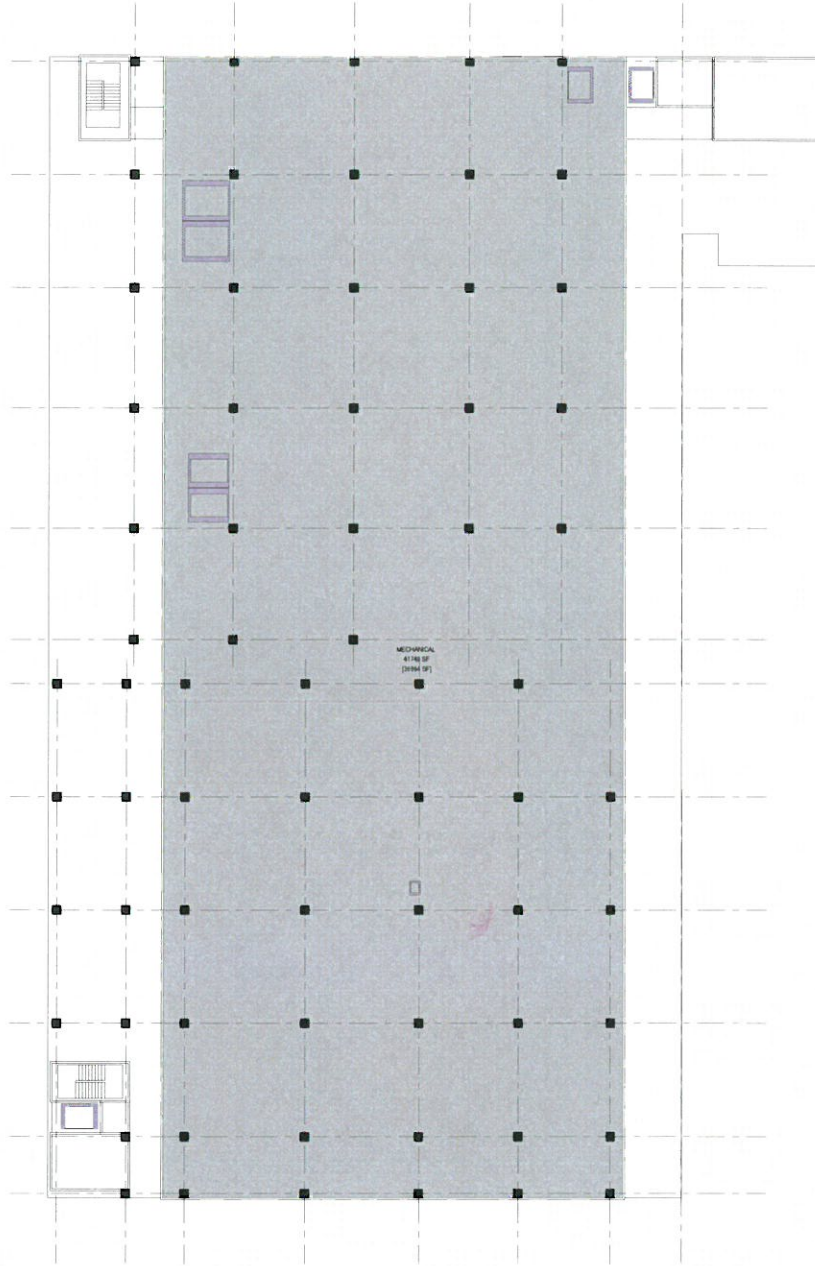
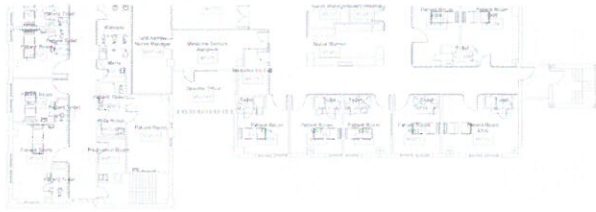


LEVEL 4 PLAN (24 ORs)
 SCALE: 1/8" = 1'-0"
 ICFE NO.: 0016661.01
 DATE: 01/11/17
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LEVEL 5 PLAN (24 ORs)
 SCALE: 1/8" = 1'-0"
 JOB NO: 6046661.01
 DATE: 01/11/17
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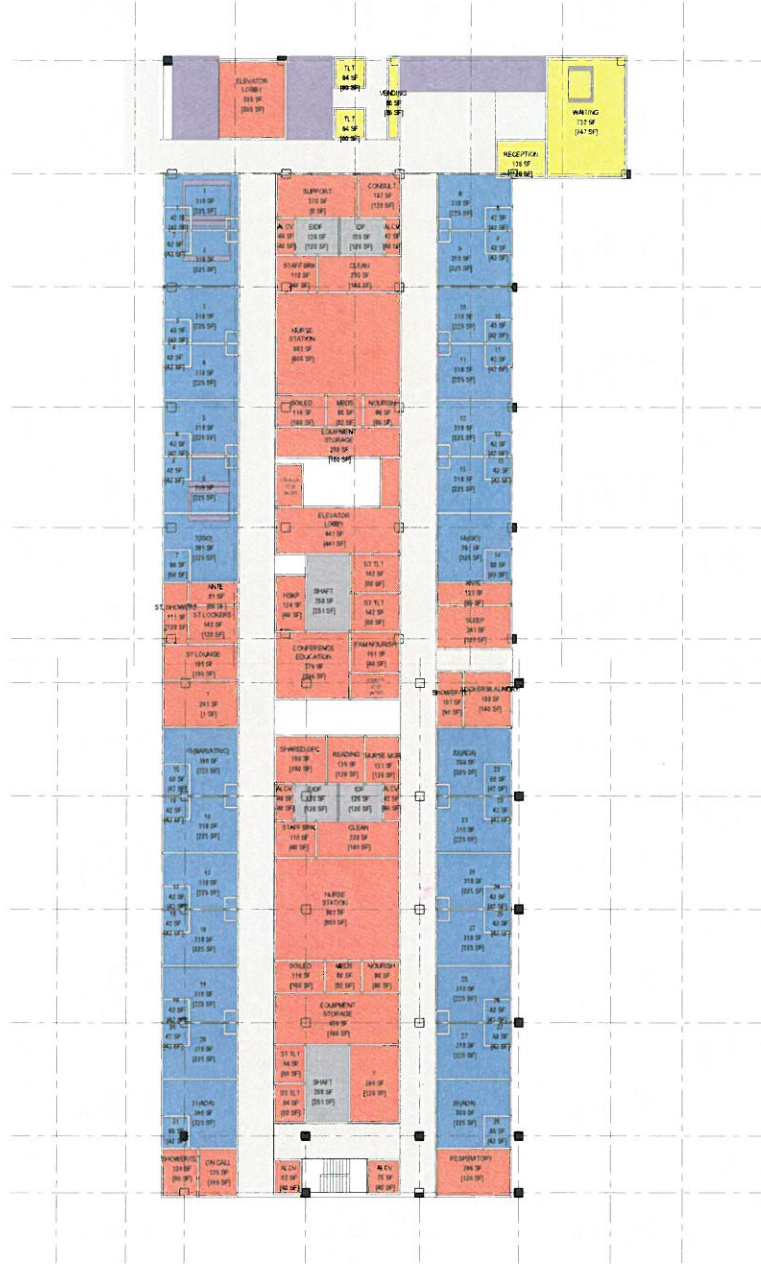


LEVEL 6 PLAN (24 ORs)
 SCALE 1/8" = 1'-0"
 JOB NO. 604001.01
 DATE 03/11/17
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LEVEL 7 PLAN (24 ORs)
 SCALE: 1/8" = 1'-0"
 JOB NO.: 051006101
 DATE: 05/11/17
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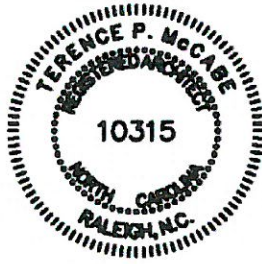
**PROPOSED TOTAL CAPITAL COST OF PROJECT
UNC HOSPITALS SURGICAL TOWER**

| | | | |
|---|-------------------------------------|---------------------|----------------------|
| A. Site Costs | | | |
| (1) Full purchase price of land | | \$0 | |
| | Acres _____ Price per Acre \$ _____ | | |
| (2) Closing costs | | \$0 | |
| (3) Site Inspection and Survey | | \$26,910 | |
| (4) Legal fees and subsoil investigation | | \$0 | |
| (5) Site Preparation Costs | | | |
| Soil Borings | \$9,500 | | |
| Clearing - Earthwork | \$333,089 | | |
| Fine Grade for Slab | \$106,274 | | |
| Roads - Paving | \$540,000 | | |
| Concrete Sidewalks | \$1,837,500 | | |
| Water and Sewer | \$6,053,021 | | |
| Footing Excavation | \$406,173 | | |
| Footing Backfill | \$419,875 | | |
| Termite Treatment | \$0 | | |
| Other (Basement / Rock Excavation, Caissor | \$3,620,035 | | |
| Sub-Total Site Preparation Costs | | \$13,325,467 | |
| (6) Other (Landscaping, site furnishings, lighting) | | \$1,814,867 | |
| (7) Sub-Total Site Costs | | | \$15,167,244 |
| B. Construction Contract | | | |
| (8) Cost of Materials | | | |
| General Requirements | \$7,076,857 | | |
| Concrete/Masonry | \$5,590,799 | | |
| Woods/Doors & Windows/Finishes | \$18,637,914 | | |
| Thermal & Moisture Protection | \$9,346,193 | | |
| Equipment/Specialty Items | \$5,816,338 | | |
| Mechanical/Electrical | \$43,063,678 | | |
| Other (Structural Steel, Bridge Connectors) | \$8,726,831 | | |
| Sub-Total Cost of Materials | | \$98,258,610 | |
| (9) Cost of Labor | | \$73,039,949 | |
| (10) Other: Construction Contingency | | \$14,906,102 | |
| (11) Sub-Total Construction Contract | | | \$186,204,661 |
| C. Miscellaneous Project Costs | | | |
| (12) Building Purchase | | \$0 | |
| (13) Fixed Equipment Purchase | | \$6,398,000 | |
| (14) Movable Equipment Purchase | | \$21,573,000 | |
| (15) Furniture | | \$5,034,298 | |
| (16) Landscaping | | \$0 | |
| (17) Consultant Fees | | | |
| Architect and Engineering Fees | \$17,790,120 | | |
| Legal Fees | \$0 | | |
| Market Analysis | \$0 | | |
| Other (Specify) | \$0 | | |
| Sub-Total Consultant Fees | | \$17,790,120 | |
| (18) Financing Costs (e.g. Bond, Loan, etc.) | | \$0 | |
| (19) Interest During Construction | | \$0 | |
| (20) Other: Project Contingency | | \$34,812,099 | |
| IT Costs | | \$3,020,579 | |
| (21) Sub-Total Miscellaneous | | | \$88,628,095 |
| (22) Total Capital Cost of Project (Sum A-C above) | | | \$290,000,000 |

I certify that, to the best of my knowledge, the above construction related costs of the proposed project named above are complete and correct.



Signature of Licensed Architect or Engineer



April 10, 2017

Date