

GENERAL COUNSEL'S REPORT

October 28, 2015

- A. Metro Knoxville HMA, LLC d/b/a Tennova Healthcare – North Knoxville Medical Center (f/k/a Mercy Health System, Inc. d/b/a Mercy Medical Center North), Powell (Knox County), TN – CN1106-019AE

Request for a 1 year extension of the expiration date from December 1, 2015 to December 1, 2016. This request is for the 2nd extension. The original expiration date of December 1, 2014 was extended to December 1, 2015 on November 19, 2014 by a unanimous vote. This request was DEFERRED FROM THE SEPTEMBER MEETING so the modification to increase the project cost could be heard simultaneously.

Modification of the certificate of need to increase the total project cost from \$4,694,671 to \$5,900,000, a difference of \$1,205,329.

The project was unanimously approved on October 26, 2011 for the acquisition of a second linear accelerator to be located and utilized on the Tennova Healthcare – North Knoxville Medical Center campus.

Please see the attached letters for additional information.

KRAMER RAYSON LLP

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September 28, 2015

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R.R. KRAMER (1888-1966)

Ms. Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: CN1106-019A - Request for Modification
Tennova Healthcare - North Knoxville Medical Center

Dear Ms. Hill:

Pursuant to the Health Services and Development Agency Rule 0720-10-.06 (8), we respectfully submit this request on behalf of our client, Metro Knoxville HMA, LLC d/b/a Tennova Healthcare - North Knoxville Medical Center, for modification of certificate of need CN1106-019A. The modification would increase the total project cost from \$4,694,671.00 to \$5,900,000.00, an increase of \$1,205,329.00. The additional filing fee of \$2,712.00 is included.

CN1106-019 was approved in October 2011, for the acquisition of a second linear accelerator on the North Knoxville Medical Center campus. The project had no opposition, and no applications were filed seeking simultaneous review for new linear accelerator projects. A request for a one year extension of the CON for the project was previously filed with the Agency in August.

The original construction and equipment cost estimates submitted with the application were performed by Mercy Health Partners over four years ago, but final equipment pricing and site specific final drawings were not received by the hospital until earlier this month.

The following documentation is included in support of this request:

1. Revised Project Costs Chart;
2. Revised Square Footage Chart;

3. Revised final construction costs; and,
4. Revised final equipment costs.

We request that this modification request and the request for extension to be placed on the October agenda for consideration by the Agency.

In the event you have any questions, or require additional information, please do not hesitate to contact me. As always, we appreciate your assistance.

Sincerely,



Warren L. Gooch

WLG:dt

Enclosures

cc: Jim Christoffersen, General Counsel, Health Services and Development Agency
Neil Heatherly, CEO, Tennova Healthcare and Physicians Regional Medical Center
Rob Followell, CEO, North Knoxville Medical Center
Jesse Neil, V.P. and Associate General Counsel, Div. III, CHSPSC, LLC
Keith Kizzire, Director, Project Management, CHSPSC, LLC

PROJECT COSTS CHART - North Knoxville Linear Accelerator

A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	\$	86,923
2. Legal, Administrative, Consultant Fees (Excl CON Filing Fee)		65,662
3. Acquisition of Site		_____
4. Preparation of Site		_____
5. Construction Cost		987,760
6. Contingency Fund		172,892
7. Fixed Equipment (Not included in Construction Contract)		4,480,729
8. Moveable Equipment (List all equipment over \$50,000)		_____
9. Other (Specify) <u>Non-medical equipment</u>		32,000
<u>Abatement</u>		_____

B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)		_____
2. Building only		_____
3. Land only		_____
4. Equipment (Specify) _____		_____
5. Other (Specify) _____		_____

C. Financing Costs and Fees:

1. Interim Financing		_____
2. Underwriting Costs		_____
3. Reserve for One Year's Debt Service		_____
4. Other (Specify) <u>Capital Interest (CIP account)</u>		71,322

D. Estimated Project Cost
(A+B+C)

5,897,288

E. CON Filing Fee

2,712

F. Total Estimated Project Cost (D+E)

TOTAL \$ 5,900,000

Actual Capital Cos		5,900,000
Section B FMV		0

Laughlin Millea Hillman

**Architecture
Planning
Design**



September 22, 2015

Mr. Rob Followell
North Knoxville Medical Center
7565 Dannaer Drive
Powell, TN 37849

Re: Certificate of Need Application
North Knoxville Medical Center – Linear Accelerator Addition
COM.1506

Dear Mr. Followell,

The project consists of approximately 1,820 square feet of addition and 380 square feet of renovation. The scope includes the construction of a new linear accelerator vault and associated control space. The project has been designed per the space requirements and regulations specified in the 2014 edition of the FGI Guidelines of Design and Construction of Health Care Facilities as well as applicable IBC and ADAAG requirements.

Utilizing our healthcare construction historical cost data, we believe that the construction cost estimate that has been prepared for this project at approximately \$987,760, is consistent with current pricing trends for a project of this nature.

Should you have questions or require further information, please do not hesitate to contact our office.

Sincerely,

A handwritten signature in black ink, appearing to read 'John R. Ketenbrink', is written over a horizontal line.

John R. Ketenbrink, AIA, NCARB
Principal
Laughlin Millea Hillman Architecture, LLC

Kentucky
819 West Main Street, Suite 400
Louisville, Kentucky 40202
[p] 502.581.0570
[f] 502.581.0670

Indiana
3211 Grant Line Road, Suite 30
New Albany, Indiana 47150
[p] 812.944.2222
[f] 812.944.1122

www.lmharchitecture.com

Community Health Systems (CHS)

Item Summary

CHS - North Knoxville LinAcc



ID#	Alt ID	Qty	Description	Manufacturer	Model	N/E	F/I	AC	Unit Cost	Ext Cost
C-231659		1	Allowance, Physicist Survey, Linear Accelerator	TBD	TBD	N	O/V	2	\$56,500.00	\$56,500.00
C-231659		1	Allowance, Physicist Survey, Linear Accelerator	TBD	TBD	P	O/V	2	\$3,500.00	\$3,500.00
C-270956		1	Chiller, Lin Acc	Artic Chill	TBD	N	O/O	2	\$40,000.00	\$40,000.00
6364-006		1	Dispenser, Glove, Triple Box	Health Care Logistics	7467-01 Plexiglass	N	O/C	1	\$65.00	\$65.00
3723-034		1	Disposal, Sharps, Wall Mount	Stericycle	Bio Systems C-02RES-0203 w/ Cabinet	L	O/C	1	\$0.00	\$0.00
3803-000		1	Flowmeter, Oxygen	Amex Corporation		N	O/O	3	\$30.00	\$30.00
3836-008		1	Hamper, Linen	Medline Industries Inc.	Chrome Hamper stand	N	O/O	3	\$131.00	\$131.00
C-57900		1	Installation New OF/OI	TBD	TBD	N	O/V	3	\$0.00	\$0.00
6945-002		1	Linear Accelerator, Allowance	Elekta Oncology Systems	TBD	P	O/V	2	\$3,861,964.00	\$3,861,964.00
5251-071		1	Monitor, Physiologic, Vital Signs	Mindray North America	Accutorr V (NIBP, Masimo SET)	N	O/O	2	\$3,300.00	\$3,300.00
4248-156		1	Regulator, Suction, Intermittent/Continuous	Amvex Corporation	Digital VR-CIU2-CMD	N	O/O	3	\$339.14	\$339.14
C-112700		1	Relocation, Existing OF/OI	TBD	TBD	N	O/V	3	\$0.00	\$0.00
4414-003		1	Stool, Exam, Cushion-Seat	Pedigo Products	P-36	N	O/O	3	\$192.00	\$192.00
5002-001		1	Stool, Step, Stackable	Pedigo Products	P-1015	N	O/O	3	\$274.00	\$274.00
4687-002		1	Waste Can, Bio-Hazardous	Rubbermaid Commercial Products	6144 Red (12 gal)	N	O/O	3	\$179.00	\$179.00
C-227091		2	Waste Can, Open Top	Grainger	4PGN6	N	O/O	3	\$7.33	\$14.66

Facility Sub Totals: \$3,966,488.80

Community Health Systems (CHS)
Budget Summary By Department



CHS - North Knoxville LinAcc

<u>Department</u>	<u>Actual</u>
Allowance / Relocation / Installation	\$60,000.00
Vault #2	\$3,906,488.80
Sub Total:	\$3,966,488.80
2.50 % Freight:	\$99,162.22
9.00 % Tax:	\$356,983.99
0.00 % Inflation:	\$0.00
Contingency:	\$50,000.00
Grand Total	\$4,472,635.01
Approved Equipment Budget	\$4,480,729.00
Variance	(\$8,093.99)

GENERAL COUNSEL'S REPORT

September 23, 2015

- B. Metro Knoxville HMA, LLC d/b/a Tennova Healthcare – North Knoxville Medical Center (f/k/a Mercy Health System, Inc. d/b/a Mercy Medical Center North), Powell (Knox County), TN – CN1106-019AE

The project was unanimously approved on October 26, 2011 for the acquisition of a second linear accelerator to be located and utilized on the Tennova Healthcare – North Knoxville Medical Center campus. The project cost was approved for \$4,694,671.00.

Request for a 1 year extension of the expiration date from December 1, 2015 to December 1, 2016. This request is for the 2nd extension. The original expiration date of December 1, 2014 was extended to December 1, 2015 on November 19, 2014 by a unanimous vote.

Metro Knoxville HMA, LLC made the first request because CN1106-019 was approved the same month that Mercy Health Partners was purchased by Health Management Associates of Naples, Florida. As a result of that transaction, Mercy Health Partners was renamed Tennova Healthcare. The change in ownership caused a re-evaluation of the timeline for implementing the project. After an analysis of Tennova's radiation therapy centers was completed by Health Management, it was determined that the most orderly approach to ensuring that patient care would not be disrupted was to delay adding the second linear accelerator to the North Knoxville Medical Center campus until Tennova's other radiation therapy centers could be upgraded. During the course of these other linear accelerator replacement projects, Health Management Associates was purchased by Community Health Systems ("CHS"). CHS took ownership of the former Health Management hospitals, including North Knoxville Medical Center and the other Tennova Healthcare hospitals, on January 27, 2014. During the transition period leading up to the ownership change, all capital projects were put on hold by Health Management.

According to the July 2015 progress report submitted by Metro Knoxville HMA, LLC, the project and its funding has been approved by CHS. The design team at LMH Architecture was engaged and is currently completing the final Construction Documents for submission to the Tennessee Department of Health and to the contractor for final pricing. The contract for construction of the Linear Accelerator has been awarded to Batten & Shaw Inc. Construction Management. Construction is scheduled to begin on October 26, 2015 with an estimated construction completion date of March 30, 2016. The Purchase and License agreements have been completed with Elekta Inc.- North America for the Equipment, installation, licensing, training and support. A completion date of April 2016 is anticipated; therefore, a one year extension for this project is requested.

KRAMER RAYSON LLP
ATTORNEYS AT LAW

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FOUNDED 1948

August 24, 2015

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Ms. Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: CN1106-019A - Request for Extension
Tennova Healthcare - North Knoxville Medical Center

Dear Ms. Hill:

Pursuant to the Health Services and Development Agency Rule 0720-10-06, we respectfully submit this second request for an extension of the certificate of need CN1106-019A, for the acquisition of a second linear accelerator on behalf of our client, Metro Knoxville HMA, LLC d/b/a Tennova Healthcare - North Knoxville Medical Center. The current expiration date is December 1, 2015, and North Knoxville Medical Center is requesting a one year extension.

CN1106-019 was approved in October, 2011, which was the same month that Mercy Health Partners was purchased by Health Management Associates of Naples, Florida. The project was unopposed. As a result of that transaction, Mercy Health Partners was renamed Tennova Healthcare. While Health Management Associates was fully supportive of Tennova moving forward with the application to add a second linear accelerator to the cancer center at North Knoxville Medical Center, the change in ownership did cause us to re-evaluate the timeline for implementing the project. After an analysis of Tennova's radiation therapy centers was completed by Health Management, it was determined that the most orderly approach to ensuring that patient care would not be disrupted was to delay adding the second linear accelerator to the North Knoxville Medical Center campus until Tennova's other radiation therapy centers could be upgraded. First, an aged linear accelerator was replaced at Physicians Regional Medical Center and upgraded with new hardware and software. Second, the linear accelerator at Turkey Creek Medical Center was replaced with a new Varian linear accelerator.

Ms. Melanie Hill
August 24, 2015
Page 2

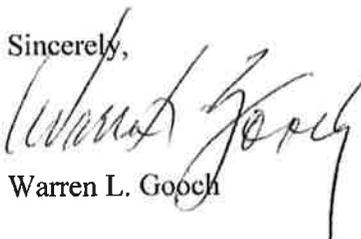
The linear accelerator at Baker Cancer Center in Harrogate, Tennessee, was replaced with new equipment due to its age. Because each of these centers have an active load of patients receiving treatment, it has been critical that there be no disruptions in the operations or accessibility of the radiation therapy center at North Knoxville Medical Center.

During the course of these other linear accelerator replacement projects, Health Management Associates was purchased by Community Health Systems ("CHS"). CHS took ownership of the former Health Management hospitals, including North Knoxville Medical Center and the other Tennova Healthcare hospitals, on January 27, 2014. During the transition period leading up to the ownership change, all capital projects were put on hold by Health Management.

The project was reevaluated by CHS considering the reopening of the Baker Cancer Center and the future impact of the relocation of Physicians Regional Medical Center to its new location. The first extension was approved by the agency in November 2014. The project and its funding has been approved by CHS.

The initial equipment selected for this project was reevaluated given new technology options, and the contract for equipment (linear accelerator), installation licensing training and support was awarded to Elekta Inc. – North American. The design team at LMH Architecture was engaged and preliminary drawings developed. Completion of the final construction documents for submission to the Tennessee Department of Health and to the contractor for final pricing is underway. The bidding process for construction of the linear accelerator was initiated. The contract was awarded to Batten and Shaw Inc. Construction Management. Construction is scheduled to begin on October 26, 2015 with an estimated construction completion date of March 30, 2016.

An additional filing fee of \$3,509.00 is enclosed. Please do not hesitate to contact me if you have any questions. We appreciate your assistance in this matter.

Sincerely,

Warren L. Gooch

WLG:dt

Enclosure

cc: Mr. Rob Followell
Mr. Neil Heatherly

Note: Metro Knoxville HMA, LLC d/b/a
Tennova Healthcare has not submitted the
original CON for the updated Extension.

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. CN1106-019A is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Metro Knoxville HMA LLC d/b/a Tenna Healthcare
200 Blount Avenue, Suite 600
Knoxville, TN 37920

For: Tenna Healthcare – North Knoxville Medical Center

This Certificate is issued for: The acquisition of a second linear accelerator to be located and utilized on the North Knoxville Medical Center campus (formerly Mercy Medical Center, North). As part of this application, the certificate of need to provide radiation therapy services at Tenna Riverside will be relinquished.

On the premises located at: 7551 Dannaher Way
Powell (Knox County), TN 37849

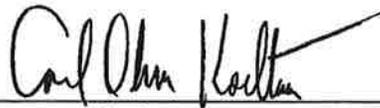
For an estimated project cost of: \$4,694,671.00

The Expiration Date for this Certificate of Need is

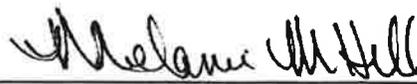
December 1, 2014

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: October 26, 2011


Chairman

Date Issued: November 16, 2011


Executive Director