



State of Tennessee
Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

August 1, 2020

Jerry Taylor
Thompson Burton, PLLC
One Franklin Park, 6100 Tower Circle, Suite 200
Franklin, TN 37067

RE: Certificate of Need Application – Watauga Orthopaedics Surgery Center - CN2007-022
For the establishment of an ambulatory surgical treatment center (ASTC) for orthopaedic related surgical cases and procedures located in a building to be constructed on a site located on the south side of Wallace Alley Street, approximately 0.1 miles from its intersection with Harry Steadman Drive, Kingsport (Sullivan County), Tennessee 37663. The applicant is owned by Watauga Surgical Partners, LLC. The estimated project costs are \$17,318,907.

Dear Mr. Taylor:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health, Division of Policy, Planning, and Assessment for Certificate of Need review. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is Trent.Sansing@tn.gov or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1607, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project began on August 1, 2020. The first 60 days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the 60-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review. You will receive a copy of their findings. The Health Services and Development Agency will review your application on October 28, 2020.

Mr. Taylor
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Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

1. No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
2. All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

Logan G. Grant
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA



State of Tennessee

Health Services and Development Agency

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MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: Logan G. Grant
Executive Director

DATE: August 1, 2020

RE: Certificate of Need Application
Watauga Orthopaedics Surgery Center - CN2007-022

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on August 1, 2020 and end on October 1, 2020.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Jerry Taylor

LETTER OF INTENT

The Publication of Intent is to be published in the Kingsport Times News which is a newspaper of general circulation in Sullivan County, Tennessee, on or before July 10, 2020 for one day.

This is to provide official notice to the Health Services Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601, *et seq.*, and the rules of the Health Services and Development Agency, that Watauga Orthopaedics Surgery Center, to be owned and managed by Watauga Surgical Partners, LLC, a Tennessee limited liability company, intends to file an application for a Certificate of Need for the establishment of an ambulatory surgical treatment center (ASTC) for the performance of outpatient orthopaedic-related surgical cases and procedures. The proposed facility will be housed in a building to be constructed on a site located on the south side of Wallace Alley Street, approximately 0.1 miles from its intersection with Harry Steadman Drive, Kingsport, Tennessee. The ASTC will be licensed as such by the Tennessee Board for Licensing Health Care Facilities. The total estimated project cost is \$17,325,000.

The anticipated date of filing the application is July 15, 2020.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Thompson Burton, PLLC, One Franklin Park, 6100 Tower Circle, Suite 200, Franklin, TN 37067, 615-716-2297, email address: jtaylor@thompsonburton.com.


Signature

7-10-20
Date

The following language appears in the Publication of Intent:

Pursuant to T.C.A. § 68-11-1607(c): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

CERTIFICATE OF NEED APPLICATION

FOR

WATAUGA ORTHOPEDICS SURGERY CENTER

The Establishment of an Orthopedic
Specialty Ambulatory Surgical
Treatment Center

Sullivan County, Tennessee

July 15, 2020

Contact Person:

Jerry W. Taylor, Esq.
Thompson Burton, PLLC
6100 Tower Circle, Suite 200
Franklin, Tennessee 37067
615-716-2297



State of Tennessee

Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

CERTIFICATE OF NEED APPLICATION

SECTION A: APPLICANT PROFILE

1. Name of Facility, Agency, or Institution

Watauga Orthopedics Surgery Center
Name

Unaddressed lot on the south side of Wallace Alley Street, approximately 0.1 miles from its intersection
With Harry Steadman Drive. Sullivan
Street or Route County

Kingsport TN 37663
City State Zip Code

Website address: N/A

Note: The facility's name and address must be the name and address of the project and must be consistent with the Publication of Intent.

2. Contact Person Available for Responses to Questions

Jerry W. Taylor Attorney
Name Title

Thompson Burton, PLLC jtaylor@thompsonburton.com
Company Name Email address

6100 Tower Circle, Suite 200 Franklin TN 37067
Street or Route City State Zip Code

Attorney 615-716-2297 N/A
Association with Owner Phone Number Fax Number

NOTE: Section A is intended to give the applicant an opportunity to describe the project. Section B addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and the Quality Measures.

Please answer all questions on 8 1/2" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response. All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

- 1) Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;**

The applicant proposes to establish a new ASTC for the performance of outpatient surgery for orthopedic and related procedures. The use of the facility will be limited to surgeons affiliated with Watauga Orthopedics, PLC. The ASTC will initially have 4 active operating rooms (“OR”s) and the applicant will shell in space which can eventually house 2 more ORs.

- 2) Ownership structure;**

The applicant and proposed licensee is Watauga Surgical Partners, PLLC. This is a new company, formed for the purpose of owning and operating the proposed ASTC. All membership interests will be held by surgeons affiliated with Watauga Orthopedics, PLC. There are currently 17 such physician owners.

- 3) Service area;**

The proposed service area consists of 5 Tennessee counties (Sullivan, Washington, Hawkins, Carter and Greene) and 2 counties in Virginia (Washington County, VA and Wise County, VA). These counties account for over 80% of the projected cases.

- 4) Existing similar service providers;**

There are 11 ASTCs located in Sullivan County and 6 in Washington County. Of these, 6 are multi-specialty surgery centers and 11 are single-specialty surgery centers. There are no ASTCs limited to orthopedic surgery.

- 5) Project cost;**

The total estimated project cost is \$17,325,000.

- 6) Funding;**

The project will be funded by a commercial loan.

- 7) Financial Feasibility including when the proposal will realize a positive financial margin; and**

The project will be financially feasible from the outset. It is projected to produce a positive net income and positive cash flow in Year 1 and thereafter.

- 8) Staffing.**

The staffing will consist of 23.4 FTE patient care positions, and 6 FTE non-patient care positions.

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area.

Provide a brief description of how the project meets the criteria necessary for granting a CON using the data and information points provided in Section B of the application.

1) Need;

The Watauga surgeons affiliated with this project performed approximately 5970 outpatient surgery cases last year. With government and private payors steering outpatient surgery cases to free-standing ASTC settings rather than hospital-based settings, there is a need for a free-standing specialty ASTC in which to perform the appropriate outpatient orthopedic surgical cases. The patients and consumers likewise need to have access to an orthopedic specialty ASTC for all of the reasons discussed below.

Costs savings as well as outcome improvements (discussed below) are the primary drivers of the shift from inpatient or hospital-based outpatient, to the freestanding ASTC setting. CMS has recently approved total hip and total knee replacements to be performed in ASTCs. It is projected that by 2026, 51% of Total Joint Replacement will be performed in an outpatient setting. (Source Sg2). That is in sharp contrast to the situation in 2017, when only 11% of knee replacements and 8% of hip replacements were performed on an outpatient basis.

There are no ASTCs specifically designed for, or limited to, orthopedics in the service area. The orthopedic specialty ASTC is needed for several important reasons, discussed below.

Staff Specialization: The entire staff that are trained to care for orthopedic surgery patients and are versed in the orthopedics surgeons' protocols. This will impact patient care by:

- Lower cost of procedures
- The focus on a small number of processes in a single setting
- Strictly enforced quality control processes
- Allowing patients to bring concerns directly to their provider who knows their situation and medical history
- More of an individualized experience for each patient
- Decreased readmissions
- Increased patient safety by reduction of wrong site incisions, medication errors, falls and infection rates

To illustrate the last point, a study by published in the *Journal of Orthopedics* demonstrated that the rate of infection leading to reoperation was significantly lower in a single specialty ambulatory

surgery setting as opposed to one accommodating multiple specialties. The post-surgical deep infection rate in a multi-specialty ASC was 0.81% in 2867 operations compared with a rate of 0.38% in 7311 operations performed in a single specialty ASC.

Source: J Orthop, 2013 Sep; 10(3): 111–114. Published online 2013 Sept 5. doi: [10.1016/j.jor.2013.07.005](https://doi.org/10.1016/j.jor.2013.07.005).

Facility: The facility is built for Orthopedic patients only, providing private recovery rooms for total knee and hip patients. Operating rooms will be equipped with and designed for orthopedic cases. This means all of the needed equipment will be on hand, and no unnecessary equipment will have to be moved or stored for orthopedic cases. Since the facility will be focused on a limited number of procedures, the patients' recovery experiences are optimized, which will positively affect their recovery after discharge.

Cost: Another important factor constituting a special need in this case arises from the lower charge structure and third-party reimbursement applicable to a freestanding ASC as compared to a hospital-based setting. Even in some of the existing ASTCs, the charges are higher than they otherwise should be or would be if they were physician-controlled, and that is because the majority owner is a hospital system.

Today, the average price for an inpatient knee replacement is \$30,249, compared to \$19,002 in an outpatient setting. The average cost of an inpatient hip replacement is \$30,685 compared to \$22,078 in an outpatient setting. That represents savings in an outpatient setting at between 30 to 40 percent. Despite these potential outpatient setting savings, only 11 percent of knee procedures and 8 percent of hip procedures were performed on an outpatient basis in 2017.

Source: <https://www.healthcarefinancenews.com/news/orthopedic-surgery-spending-increased-44-percent-2010>

The lower charges are beneficial for patients, who are increasingly having to come out-of-pocket for a higher portion of the surgical bills. The lower costs, and the ability to control the costs, are beneficial to the physicians and to payors, particularly in relation to value-based contracting arrangements which are becoming more prevalent, and in which Watauga intends to participate.

Watauga Orthopedics participates in the BPCI-A (Bundled Payment Care Initiative). This is a quality enhancement program through CMS focusing on orthopedic cost and quality. Watauga also has an agreement with Humana, for cost and quality initiatives as well. Watauga intends to expand its value-based contracting, in light of its demonstrated ability to control costs and increase quality of surgical outcomes.

2) Economic Feasibility;

The project will be financially stable from the outset. It is projected to produce a positive net income and positive cash flow in Year 1 and thereafter.

3) Quality Standards;

The ASTC will meet or exceed all applicable quality standards. It will be licensed by the Tennessee Department of Health. It will become accredited by the Accreditation Association for Ambulatory Health Care (AAAHC). All cases will be performed by surgeons affiliated with Watauga Orthopedics, and all are board certified or board eligible in orthopedics or related specialties.

4) Orderly Development to adequate and effective health care.

This project is reflective of Watauga Orthopedics' commitment to its patients to continue to deliver surgical services in an environment that is safe, delivers high quality care and maximizes cost efficiency. The establishment of this ASTC is consistent with the changing nature of the health care industry and care-delivery models. The trend of moving more cases to a lower cost outpatient setting began several years ago and is now intensifying as third-party payors encourage and incentivize providers to do so. This ASTC will allow Watauga to keep up with these new developments, and better serve its patients.

This should not result in a significant impact on existing ASTCs. There are no orthopedic single specialty ASTCs in the service area. Such a dedicated orthopedic center is essential to delivery of the optimal in outpatient orthopedic surgery in today's environment. The existing ASTCs are averaging 972 cases per OR, which is above the utilization threshold of 884 cases per OR in the State Health Plan.

Even assuming: (1) outpatient surgical volume remains unchanged from 2019, and (2) that all 3,801 projected Year 1 cases come directly out of existing ASTCs, that would bring the average utilization to 847 cases per OR, which is still 96% of the utilization threshold.

C. Consent Calendar Justification

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

N/A

4. SECTION A: PROJECT DETAILS

A. Owner of the Facility, Agency or Institution

<u>Watauga Surgical Partners, PLLC</u>	<u>423-722-0260</u>
Name	Phone Number
<u>2410 Susannah Street</u>	<u>Washington</u>
Street or Route	County
<u>Johnson City</u>	<u>TN</u>
City	State
	<u>37601</u>
	Zip Code

B. Type of Ownership of Control (Check One)

- | | | | |
|---------------------------------|-------|-------------------------------|----------|
| 1) Sole Proprietorship | _____ | 6) Government (State of TN or | _____ |
| 2) Partnership | _____ | Political Subdivision) | |
| 3) Limited Partnership | _____ | 7) Joint Venture | _____ |
| 4) Corporation (For Profit) | _____ | 8) Limited Liability Company | <u>X</u> |
| 5) Corporation (Not-for-Profit) | _____ | 9) Other (Specify) _____ | _____ |

Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's website. Attachment Section A-4AB.

Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest.

The owner is Watauga Surgical Partners, PLLC. All members of the PLLC will be the surgeons of Watauga Orthopedics, P.C. The exact ownership percentages have not yet been determined. Because this is a single entity ownership m, and ownership chart is not necessary. Copies of the Article of Organization are attached as Attachment Section A, Project Details, 4, B.

5. Name of Management/Operating Entity (If Applicable) N/A

Name _____

Street or Route _____ County _____

City _____ State _____ Zip Code _____

Website address: _____

For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. Attachment Section A-5.

There will not be an outside management entity. Management will be through the applicant or a closely related entity such as Watauga Orthopedics, PLC.

6 A. Legal Interest in the Site

(Check appropriate line and submit the following documentation)

The legal interest described below must be valid on the date of the Agency consideration of the certificate of need application.

- Ownership (Applicant or applicant's parent company/owner)**
Submit a copy of the title/deed.
- Lease (Applicant or applicant's parent company/owner)**
Attach a fully executed lease that includes the terms of the lease and the actual lease expense.
- Option to Purchase**
Attach a fully executed Option that includes the anticipated purchase price
- Option to Lease**
Attach a fully executed Option that included the anticipated terms of the Option and anticipated lease expense
- Other (Specify)**

Check the appropriate line above: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements must include anticipated purchase price. Lease/Option to Lease Agreements must include the actual/anticipated term of the agreement and actual/anticipated lease expense. The legal interests described herein must be valid on the date of the Agency's consideration of the certificate of need application.

A copy of the Option to Lease running from the landlord to the applicant, a copy of the Real Estate Purchase Agreement and Assignment Agreement with rights running to the landlord, and a copy of the deed vesting title in the seller are attached collectively as Attachment Section A, Project Details, 6, A.

6B. Briefly describe the following and attach the requested documentation on an 8 1/2" by 11" sheet of white paper, legibly labeling all requested information.

- 1) **Plot Plan must include:**
 - a) **Size of site (*in acres*);**
 - b) **Location of structure on the site;**
 - c) **Location of the proposed construction/renovation; and**
 - d) **Names of streets, roads or highway that cross or border the site.**

A plot plan is attached as Attachment Section A, Project Details, 6, B, 1.

- 2) **Floor Plan – If the facility has multiple floors, submit one page per floor. If more than one page is needed, label each page.**
- a) Patient care rooms (private or semi-private)
 - b) Ancillary areas
 - c) Equipment areas
 - d) Other (specify)

A floor plan is attached as Attachment Section A, Project Details, 6, B, 2.

- 3) **Public Transportation Route – Describe the relationship of the site to public transportation routes, it any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.**

The site for the ASTC is centrally located off Interstate 81, near the Tri Cities airport. It can easily be accessed by all three major cities in East Tennessee: Johnson City, Kingsport and Bristol. Also, due to proximity off the interstate, it can easily be accessed by rural KY and VA patients. The site is not on the public bus route.

7. **Type of Institution (Check as appropriate--more than one response may apply)**

- | | |
|--|--|
| A. Hospital (Specify) _____ | H Nursing Home |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty | I. Outpatient Diagnostic Center |
| C. ASTC, Single Specialty <u>X</u> | J. Rehabilitation Facility |
| D. Home Health Agency | K. Residential Hospice |
| E. Hospice | L. Nonresidential Substitution-Based Treatment Center for Opiate Addiction |
| F. Mental Health Hospital | M. Other (Specify) _____ |
| G. Intellectual Disability Institutional Habilitation Facility ICF/IID | |

8 **Purpose of Review (Check appropriate -- more than one response may apply)**

- | | |
|---|--|
| A. Establish New Health Care Institution <u>X</u> | G. MRI Unit Increase |
| B. Change in Bed Complement | H. Satellite Emergency Department |
| C. Initiation of Health Care Services as Defined in TCA 68-11-1607(4) (Specify) _____ | I. Addition of ASTC Specialty |
| D. Relocation and/or Replacement _____ | J. Addition of Therapeutic Catherization |
| E. Initiation of MRI _____ | K. Other (Specify) _____ |
| F. Initiation of Pediatric MRI _____ | |

9 Medicaid/TennCare, Medicare Participation

MCO Contracts [Check all that apply]

AmeriGroup **United Healthcare Community Plan** **BlueCare** **TennCare Select**

Watauga Orthopedics contracts with all TennCare MCOs, and the proposed ASTC intends to do likewise.

Medicare Provider Number To be applied for

Medicaid Provider Number To be applied for

Certification Type ASTC

If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?

Medicare **Yes** **No** **N/A** **Medicaid/TennCare** **Yes** **No** **N/A**

10. Bed Complement Data N/A

A. Please indicate current and proposed distribution and certification of facility beds.

	<i>Current Licensed</i>	<i>Beds Staffed</i>	<i>Beds Proposed</i>	<i>*Beds Approved</i>	<i>**Beds Exempted</i>	<i>TOTAL B at Completi</i>
1) Medical	_____	_____	_____	_____	_____	_____
2) Surgical	_____	_____	_____	_____	_____	_____
3) ICU/CCU	_____	_____	_____	_____	_____	_____
4) Obstetrical	_____	_____	_____	_____	_____	_____
5) NICU	_____	_____	_____	_____	_____	_____
6) Pediatric	_____	_____	_____	_____	_____	_____
7) Adult Psychiatric	_____	_____	_____	_____	_____	_____
8) Geriatric Psychiatric	_____	_____	_____	_____	_____	_____
9) Child/Adolescent Psychiatric	_____	_____	_____	_____	_____	_____
10) Rehabilitation	_____	_____	_____	_____	_____	_____
11) Adult Chemical Dependency	_____	_____	_____	_____	_____	_____
12) Child/Adolescent Chemical Dependency	_____	_____	_____	_____	_____	_____
13) Long-Term Care Hospital	_____	_____	_____	_____	_____	_____
14) Swing Beds	_____	_____	_____	_____	_____	_____
15) Nursing Home – SNF (Medicare only)	_____	_____	_____	_____	_____	_____
16) Nursing Home – NF (Medicaid only)	_____	_____	_____	_____	_____	_____
17) Nursing Home – SNF/NF (dually certified Medicare/Medicaid)	_____	_____	_____	_____	_____	_____
18) Nursing Home – Licensed (non- certified)	_____	_____	_____	_____	_____	_____
19) ICF/IID	_____	_____	_____	_____	_____	_____
20) Residential Hospice	_____	_____	_____	_____	_____	_____
TOTAL	_____	_____	_____	_____	_____	_____

**Beds approved but not yet in service*

***Beds exempted under 10% per 3 year provision*

B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility’s existing services. Attachment Section A-10.

C. Please identify all the applicant’s outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below. N/A

<u>CON Number</u>	<u>CON Expiration Date</u>	<u>Total Licensed Beds Approved</u>

11. Home Health Care Organizations – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply: N/A

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lauderdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bedford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lawrence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lewis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lincoln	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Blount	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Loudon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bradley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McMinn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Campbell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McNairy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cannon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Macon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carroll	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Madison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cheatham	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chester	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Maury	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Claiborne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Meigs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Monroe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cocke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Montgomery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Moore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Crockett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Morgan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cumberland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Obion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Davidson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Overton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decatur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Perry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DeKalb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pickett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dickson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Polk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Putnam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fayette	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rhea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fentress	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Roane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franklin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Robertson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gibson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rutherford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Giles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Scott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grainger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sequatchie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Greene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sevier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grundy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Shelby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamblen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamilton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Stewart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hancock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sullivan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardeman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sumner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Tipton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hawkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Trousdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Haywood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Unicoi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Union	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Van Buren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hickman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Warren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Houston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Washington	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Humphreys	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wayne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jackson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Weakley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jefferson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	White	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Williamson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knox	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lake	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

12. Square Footage and Cost Per Square Footage Chart

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
Entry Vestibule				400		400	400
Waiting 45 chairs				1,350		1,350	1,350
Toilet at waiting				56		56	56
Coffee area				48		48	48
Wheelchair storage				36		36	36
Reception 2 chk in				180		180	180
Consult/interview				120		120	120
Business office 2 people				225		225	225
Bus. Off. Mgr.				120		120	120
Office Mgr.				120		120	120
Admin. Staff toilet				56		56	56
Admin. Storage				64		64	64
Nurse Manager				120		120	120
Lounge 16 people				480		480	480
Womens' locker rm				480		480	480
Mens' locker rm				432		432	432
Class "C" Operating rms				3,600		3,600	3,600
Scrub areas				144		144	144
Stretcher Storage				126		126	126
Control area				80		80	80
Anes. Work rm				120		120	120
Freezer Room				80		80	80
Dictation 6 stations				150		150	150
Pre-op positions				480		480	480
Recovery positions				1,320		1,320	1,320
Private Recovery Rooms				858		858	858
pre-op toilet - patient				56		56	56
Post-op toilet - patient				112		112	112
Staff toilet (pre-op/post-op)				56		56	56
Patient lockers 12 lockers				24		24	24
Soiled Work room (pre-op/post-op)				120		120	120
Clean work room (pre-op/post-op)				120		120	120
Nurse station pre-op (6 stations)				240		240	240
Nurse station post-op (6 stations)				240		240	240
Meds				120		120	120
Nurishment				75		75	75
Discharge consult				100		100	100
Discharge vestibule				120		120	120
Wheelchair storage				54		54	54
Sterile work				720		720	720
Decontamination				600		600	600
Sterilizer utility rm				240		240	240
Sterile storage				720		720	720
Soiled hold				144		144	144
Clean Linen				180		180	180
Haz. Hold				120		120	120
Med gas				180		180	180
Receiving				400		400	400
Equipment storage				480		480	480
Janitor				120		120	120
Water Service Room				150		150	150
Mechanical/Compressor/vacuum				225		225	225

Electrical/Telephone				225		225	225
IT/Server				120		120	120
Internal Circulation				7,788		7,788	7,788
Unit/Department GSF Sub-Total				25,094		25,094	25,094
Other GSF Total							
Total GSF				25,094		25,094	25,094
*Total Cost						\$ 8,882,346	\$ 8,882,346
**Cost Per Square Foot						354	354
Cost per Square Foot Is Within Which Range (For quartile ranges, please refer to the Applicant's Toolbox on www.tn.gov/hsda) *The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart. ** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.				<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile		<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input checked="" type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input checked="" type="checkbox"/> Above 3 rd Quartile

A. Describe the construction and renovation associated with the proposed project. If applicable, provide a description of the existing building, including age of the building and the use of space vacated due to the proposed project.

A new building consisting of approximately 25,000 square feet will be constructed. The building will be one floor and will be dedicated to the ASTC.

13. MRI, PET, and/or Linear Accelerator The response to all parts of Question 13 is N/A

1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding an MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or

2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:

A. Complete the chart below for acquired equipment.

<input type="checkbox"/> Linear Accelerator	Mev _____	Types:	<input type="checkbox"/> SRS	<input type="checkbox"/> IMRT	<input type="checkbox"/> IGRT	<input type="checkbox"/> Other _____
	Total Cost*:		<input type="checkbox"/> By Purchase	Expected Useful Life (yrs) _____		
	<input type="checkbox"/> New	<input type="checkbox"/> Refurbished	<input type="checkbox"/> If not new, how old? (yrs) _____			
<input type="checkbox"/> MRI	Tesla: _____	Magnet:	<input type="checkbox"/> Breast	<input type="checkbox"/> Extremity	_____	
	Total Cost*:		<input type="checkbox"/> Open	<input type="checkbox"/> Short Bore	<input type="checkbox"/> Other _____	
	<input type="checkbox"/> New	<input type="checkbox"/> Refurbished	<input type="checkbox"/> If not new, how old? (yrs) _____			
<input type="checkbox"/> PET	<input type="checkbox"/> PET only	<input type="checkbox"/> PET/CT	<input type="checkbox"/> PET/MRI			
	Total Cost*:		<input type="checkbox"/> By Purchase		Expected Useful Life (yrs) _____	
	<input type="checkbox"/> New	<input type="checkbox"/> Refurbished	<input type="checkbox"/> If not new, how old? (yrs) _____			

* As defined by Agency Rule 0720-9-.01(13)

B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.

D. Schedule of Operations:

E. Identify the clinical applications to be provided that apply to the project.

F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care.” In making determination, the Agency uses as guidelines the goals, objectives, criteria, and standards provided in the State Health Plan. Additional criteria for review are prescribed in Chapter 11 of the Agency’s Rules, Tennessee Rules and Regulations 01730-11.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate.

QUESTIONS

NEED

The responses to this section of the application will help determine whether the project will Provide needed health care facilities or services in the area to be served.

1. Provide a response to the applicable criteria and standards for the type of institution or service requested. <http://www.tn.gov/hsda/hsda-criteria-and-standards.html>.

CON STANDARDS AND CRITERIA FOR ASTCs (STATE HEALTH PLAN)

Determination of Need

1. Need. The minimum numbers of 884 Cases per Operating Room and 1867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

The proposed ASTC will have 4 fully equipped multi-use operating rooms (ORs) and no designated procedure rooms. Two additional rooms intended to be future ORs will be shelled and roughed in but will not be fully built out and equipped at this time. When the volume builds to a level justifying the additional rooms, they will be fully built out, equipped and put into service. All surgical cases will be performed in the 4 ORs. A “case” is defined in the State Health Plan as “one visit to an Operating Room or to a Procedure Room by one patient, regardless of the number of surgeries or procedures performed during that visit.”

The applicant projects a total of 3,801 cases in Year 1, and 3,818 cases in Year 2. That is an average of 950 cases per OR in Year 1 and 955 cases per room in Year 2. This exceeds the utilization threshold of 70% of assumed capacity of an OR, or 884 cases per OR per year.

2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

The applicant accepts as reasonable the assumed times for surgery and clean-up in the State Health Plan of 65 minutes per case and 30 minutes per case, respectively, regardless of the type of case. Based on those assumptions, the estimated surgical hours for Year 1 and Year 2 are as follows:

Year 1:

3,801 cases x 65 minutes per case = 247,065 surgical minutes.
3,801 cases x 30 minutes per case = 114,030 clean-up minutes.
Total = 361,095 operating room minutes = 6,018 operating room hours.

Year 2:

3,818 cases x 65 minutes per case = 248,170 surgical minutes.
3,818 cases x 30 minutes per case = 114,540 clean-up minutes.
Total = 362,710 operating room minutes = 6,045 operating room hours.

3. Need; Economic Efficiencies; Access. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

There are 17 ASTCs located in the service area; all are in Washington and Sullivan Counties. Eleven of the ASTCs are single specialty, and 6 are multi-specialty. There are no ASTCs dedicated to orthopedics.

In 2019 the average utilization of operating rooms (“ORs”) in licensed ASTCs was 972 cases per room. The average utilization of procedure rooms (“PRs”) was 1,654 cases per room.

A table reflecting detailed utilization data for ASTCs in the service area for 2017-2019 is attached as Attachment Section C, Need, CON Standards, 1.

The proposed ASTC will have 4 ORs dedicated to and specially equipped for orthopedic surgery and related procedures. Lower-acuity level procedure rooms are not needed for the relatively higher-acuity level orthopedic cases which will be performed in the facility.

The 2019 average utilization of ASTC ORs of 972 cases per room exceeds the State Health Plan (SHP) utilization threshold of 884 cases per room. The average area-wide utilization has exceeded the 70% capacity benchmark for several years:

<u>ASTC Utilization</u>	<u>Cases per OR</u>	<u>% of Need Threshold</u> (884 cases or 70% of capacity)
2019	972	110%
2018	944	107%
2017	958	108%

There are 9 hospitals in the service area which provide both inpatient and outpatient surgery. Because the hospitals do not generally have ORs dedicated to outpatient surgery, and those which do can change those designations at will, it is not possible to accurately segregate and gage the outpatient utilization rate of these hospitals. Furthermore, there is no utilization threshold for hospital-based outpatient surgical suites in the State Health Plan. In addition, because of the obvious differences between hospitals and ASTCs as facilities for outpatient surgery, an analysis of the availability of hospital based ORs for outpatient surgery is of little value or relevance. A table showing the 2017-2018 utilization of hospital surgical rooms in the service area is reflected below.

HOSPITAL SURGICAL UTILIZATION - 2018					
Hospital	County	Total Surg. Rooms	IP Cases	OP Cases	OP Change '17-'18
Indian Path	Sullivan	8	1028	2578	8.2%
Bristol Regional	Sullivan	12	5261	6681	-4.6%
Holston Valley Med Ctr.	Sullivan	14	7450	7507	2.2%
Franklin Woods	Washington	8	1409	5691	3.3%
Johnson City Med. Ctr.	Washington	19	6607	6177	-9.3%
Sycamore Shoals	Carter	5	632	1853	-8.2%
Laughlin Med. Ctr.*	Greene	5	1351	9773***	83.6%
Takoma Regional**	Greene	6	405	1981	-9.3%
Hawkins Co. Memorial	Hawkins	3	84	643	-4.0%
Total		80	24,227	42,884	9.3%

*Now Greeneville Community Hospital East

**Now Greeneville Community Hospital West

***Includes 5708 Pediatric OP cases

HOSPITAL SURGICAL UTILIZATION - 2017					
Hospital	County	Total Surg. Rooms	IP Cases	OP Cases	OP Change '17-'18
Indian Path	Sullivan	9	1440	2383	
Bristol Regional	Sullivan	12	6450	7000	
Holston Valley Med Ctr.	Sullivan	14	6625	7343	
Franklin Woods	Washington	8	1312	5508	
Johnson City Med. Ctr.	Washington	19	9015	6813	
Sycamore Shoals	Carter	5	529	2019	

Laughlin Med. Ctr.*	Greene	5	1185	5322	
Takoma Regional**	Greene	6	2172	2184	
Hawkins Co. Memorial	Hawkins	3	89	670	
Total		81	28,817	39,242	

*Now Greeneville Community Hospital East

**Now Greeneville Community Hospital West

4. Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant’s proposed Service Area or within the applicant’s facility are demonstrated to be currently utilized at 70% or above.

The 2019 average utilization of ASTCs of 972 cases per OR exceeds the State Health Plan (SHP) 70% capacity benchmark, and that has been the case for several years:

Service Area ASTC Utilization:

<u>Year</u>	<u>Cases per Room</u>	<u>% of Need Threshold</u> (884 cases or 70% of capacity)
2019	972	110%
2018	944	107%
2017	958	108%

Watauga surgeons currently perform most of their outpatient surgery cases at Holston Valley Ambulatory Surgery Center in Sullivan County and Mountain Empire Surgery Center in Washington County. It is reasonable to assume these facilities will see some change in referral patterns from the Watauga surgeons. Holston Valley Ambulatory Surgery Center experienced an average of 798 cases per O.R. in 2019, a level which is 90% of the utilization threshold. Mountain Empire Surgery Center experienced an average of 1256 cases per O.R. in 2019, which is 142% of the utilization threshold.

5. Need and Economic Efficiencies. An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant’s proposed Service Area or within the applicant’s facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

The proposed ASTC will be limited to orthopedic and related cases and procedures. The applicant accepts as reasonable the assumed times for surgery and clean-up in the State Health Plan of 65 minutes per case and 30 minutes per case, respectively.

The average utilization of the existing ASTCs in the service area in 2019 was 972 cases per OR. This is greater than 70% of capacity which is 884 cases per room.

Other Standards and Criteria

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

The site for the ASTC is centrally located off Interstate 81, near the Tri Cities airport. It is conveniently located in reasonable proximity to all three of the Tri Cities: Johnson City, Kingsport and Bristol. Also, due to proximity off the interstate, it can easily be accessed by rural KY and VA patients. Most of the service area population, and at least a majority of it, is within a 60 minutes drive of the site for the proposed ASTC.

7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.

The site for the ASTC is centrally located off Interstate 81, near the Tri Cities airport. It has good highway access to and from all three of the Tri Cities: Johnson City, Kingsport and Bristol. Also, due to proximity off the interstate, it can easily be accessed by rural KY and VA patients. The site is not on the public bus route.

8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The patient origin by county and zip code of residence is reflected below. The projected cases by county of patient residence closely track the county of residence for patients of Watauga Orthopedics in 2019.

Projected Patient Origin by County – Year 1

Pt. Residential County	Projected No. of Cases	% of Total
Sullivan County TN (PSA)	977	25.7%
Washington County TN (PSA)	863	22.7%
Hawkins County, TN (PSA)	296	7.8%
Carter County, TN (PSA)	247	6.5%

Greene County, TN (PSA)	205	5.4%
Washington County, VA (SSA)	315	8.3%
Wise County, VA (SSA)	148	3.9%
All other	749	19.7%
Total	3,801	100%

Although two counties in Virginia account for approximately 12% of the projected patient base, neither contributes over approximately 8% of the projected patient base, and these counties are not included in the primary service area. Therefore, the availability of surgical resources in Virginia is not addressed herein. The “Other“ category constitutes almost 20% of the projected patient base and represents numerous counties in Tennessee and several other states. No single county makes up more than 3.1% of the patient base, and most are far below that.

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

Projected Utilization by Quarter – Year 1

Q1:	381
Q2:	761
Q3:	1327
Q4:	<u>1332</u>
Total:	3801

10. Patient Safety and Quality of Care; Health Care Workforce.

a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

The proposed ASTC will apply for and expects to receive accreditation through the Accreditation Association for Ambulatory Health Care (AAAHC).

b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

Currently, 17 orthopedic surgeons affiliated with Watauga have expressed serious interest in having ownership interests in the ASTC. These are the same surgeons who will jointly own the land and building for the ASTC. The names of the surgeons are reflected below:

- Marc A. Aiken, M.D. - General
- D. Christopher Carver, M.D. - Sports

Robert J. DeTroye, M.D. - General
 Richard W. Duncan, M.D. - Spine
 Tyler M. Duncan, D.O. - General
 Jason A Fogleman, M.D. - Foot and Ankle
 Jeffery F. France, M.D. - General
 Thomas W. Gill, M.D. - General
 Joseph R. Hurst, D.O. - General
 Timothy D. Jenkins, M.D. - General
 Kent J. Lord, M.D. - Hand
 Scott R. MacDonald, D.O. - Spine
 Mark T. McQuain, M.D. - M&R
 Karen J. McRae, M.D. - Foot and Ankle
 Dustin M. Price, M.D. - Total Joints
 Gregory L. Stewart, M.D. - General
 J. Michael Wells, M.D. - Sports

Credentialing at the ASC will follow traditional credentialing protocols as established by the ASC and the Medical Director. These criteria will include:

- Education and work history
- Copy of Current Medical License(s)
- Listing of Affiliations with other health care institutions (hospitals, ASCs, etc.)
- DEA credentials and certificate
- BLA, ACLS, and/or PALS Certificates
- Listing of Specialty Board Certifications and continuing education
- Evidence of Malpractice Insurance and history of any malpractice actions
- Request for Professional References / Peer Recommendations
- Current Curriculum Vitae
- Current TB skin test results, verification of influenza vaccination and Hepatitis B Series vaccination

11. Access to ASTCs. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, “Every citizen should have reasonable access to health care,” the HSDA may decide to give special consideration to an applicant:

a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

According to the Health Resources and Services Administration, the following counties in the service area areas have a MUA (Medically Underserved Area) or MUP (Medically Underserved Population) designation.

<u>County</u>	<u>Designation</u>	<u>Severity</u>	<u>Rural Status</u>
Washington	MUP Low Income	60.7	Non-Rural
Sullivan	MUP Low Income	60.6	Non-Rural
Hawkins	MUA	54.0	Partially Rural
Carter	MUA	59.6	Non-Rural
Greene	MUP Low Income	59.6	Rural

Source: <https://data.hrsa.gov/tools/shortage-area/mua-find>

b. Who is a “safety net hospital” or a “children’s hospital” as defined by the Bureau of TennCare Essential Access Hospital payment program;

N/A.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant verifies its intention to contract with all TennCare MCOs, and to participate in the Medicare program.

d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

N/A.

[END OF RESPONSES TO SHP STANDARDS AND CRITERIA]

2. Describe how this project relates to existing facilities or services operated by the applicant including previously approved Certificate of Need projects and future long-range development plans.

This proposed orthopedic ASTC will be dedicated to the use of surgeons affiliated with Watauga Orthopedics, PLC. This is another step towards achieving Watauga’s goal of creating a seamless continuum of care and gaining control over its facility costs, which translates to lower charges for patients. Watauga already operates two dedicated MRI units which is another key component of this long-range goal.

3. Identify the proposed service area and justify the reasonableness. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked and shaded to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states if applicable. Attachment Section B - Need-3.

The proposed service area consists of 5 Tennessee counties (Sullivan, Washington, Hawkins, Carter and Greene) and 2 counties in Virginia (Washington County, VA and Wise County, VA). These counties account for greater than 80% of the projected cases.

Complete the following utilization tables for each county in the service area, if applicable:

This is a proposed new ASTC so there is no historical utilization data.

The Projected utilization by county of residence is reflected below.

Patient Residential County	Projected No. of Cases	% of Total
Sullivan County TN (PSA)	977	25.7%
Washington County TN (PSA)	863	22.7%
Hawkins County, TN (PSA)	296	7.8%
Carter County, TN (PSA)	247	6.5%

Greene County, TN (PSA)	205	5.4%
Washington County, VA (SSA)	315	8.3%
Wise County, VA (SSA)	148	3.9%
All other	749	19.7%
Total	3,801	100%

4. A. 1) Describe the demographics of the population to be served by the proposal.

- 2) Provide the following data for each county in the service area using current and projected population data from the Department of Health: (<http://www.tn.gov/content/tn/health/health-program-areas/statistics-data/con.html>), the most recent enrollee date from the Division of TennCare: (<http://www.tn.gov/tenncare/information-statistics/enrollment-data.html>), and US Census Bureau demographic information: (<http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>)

Demographic Variable/ Geographic Area	Department of Health/Health Statistics								Bureau of the Census				TennCare	
	Total Population-Current Year (2020)	Total Population-Projected Year (2024)	Total Population-% Change	*Target Population-Current Year	*Target Population-Project Year	*Target Population-% Change	Target Population Projected Year as % of Total	Median Age	Median Household Income	Person Below Poverty Level**	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total	
Sullivan County	156,573	155,989	-0.37%	N/A	N/A	N/A	N/A	Not Listed	\$43,442	25,835	16.5%	33,089	21.1%	
Carter County	55,912	55,121	-1.41%	N/A	N/A	N/A	N/A	Not Listed	\$36,589	10,679	19.1%	12,906	23.1%	
Greene County	69,598	70,287	0.99%	N/A	N/A	N/A	N/A	Not Listed	\$40,138	10,509	15.1%	15,963	22.9%	
Hawkins County	56,606	56,365	-0.43%	N/A	N/A	N/A	N/A	Not Listed	\$40,335	10,416	18.4%	13,361	23.6%	
Washington County	132,269	136,545	3.23%	N/A	N/A	N/A	N/A	Not Listed	\$46,752	19,708	14.9%	24,591	18.6%	
PSA Total	470,958	474,307	0.71%	N/A	N/A	N/A	N/A	N/A	\$41,451	77,147	16.4%	99,910	21.2%	
State of TN Total	6,883,347	7,097,353	3.11%	N/A	N/A	N/A	N/A	Not Listed	\$50,972	1,053,152	15.3%	1,449,437	21.1%	

* The ASTC will serve all age groups at least to some extent, so there is no Target Population.
 **The Census Bureau website does not provide the number of persons below poverty level. The totals in this column are calculated by percentage of individuals below poverty level divided by total population.

* Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-17. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2019, then default Projected Year is 2023.

Be sure to identify the target population, e.g., Age 65+, the current year and projected year being used.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, TennCare or Medicaid recipients, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

The only meaningful differences in regard to the demographics of the PSA as compared to the state as a whole are as follows: The PSA has a lower total population growth rate (0.71%) than the state (3.1%). This is not particularly relevant since the need for the project is not based directly on population growth. The economic indicators show the PSA is relatively less wealthy than the state averages. The median household income is lower in the PSA, the poverty rate is higher and the TennCare enrollment rate is roughly the same as the state. This is taken into account by the project in that the ASTC will participate in TennCare, and the ASTC is a lower cost setting for outpatient surgery than a hospital setting.

5. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following

data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

These considerations are discussed in some detail in response to Questions 3 and 4 of the CON Criteria and Standards on preceding pages of this application. Please see that discussion and the utilization tables in connection therewith.

- 6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.**

This is a proposed new facility, so there is no past utilization data. The projected utilization is 3,801 cases in Year 1 and 3,818 cases in Year 2.

The projected utilization was derived from estimates by the Watauga surgeons of the number of cases they would re-direct to the new ASTC. Of the 8,524 outpatient orthopedic surgical cases they performed last year, approximately 45%, or 3,801 cases would be re-directed to the new ASTC.

ECONOMIC FEASIBILITY

The responses to this section of the application will help determine whether the project can be economically accomplished and maintained.

1. Project Cost Instructions

- A. All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee)**
- B. The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.**

The total lease payments on the least is less than the construction and land acquisition costs, so the latter is included on the Project Costs Chart.

- C. The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.**
- D. The Total Construction Cost reported on line 5 should equal the Total Cost reported on the Square Footage Chart.**
- E. For projects that include new construction, modification, and/or renovation—documentation must be provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:**

- 1) A general description of the project;**
- 2) An estimate of the cost to construct the project;**
- 3) A description of the status of the site's suitability for the proposed project; and**
- 4) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities or comparable document in current use by the licensing authority.**

A letter from the architect is attached as Attachment Section B, Economic Feasibility, 1, E.

Equipment > \$50,000

Equipment	Amount	Qty	Extended Cost
Phillips Ver:	\$153,000	2	\$306,000
Mizuho OS:	\$92,000	1	\$92,000
Mizuho OS:	\$125,000	1	\$125,000
Lecia Micro	\$101,000	1	\$101,000
Steris Ceilir	\$55,000	4	\$220,000
GE Mobile :	\$80,000	1	\$80,000
Primus Ste:	\$55,000	1	\$55,000
Primus Pre	\$75,000	2	\$150,000
Primus Pas	\$56,000	4	\$224,000
Crest 20 G:	\$60,000	2	\$120,000
Arthrex Pov	\$203,000	4	\$812,000
Mindray No	\$64,000	4	\$256,000
			\$2,541,000

2. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding **MUST** be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment Section B-Economic Feasibility-2.)

- A. Commercial loan – Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- A funding letter is attached as Attachment Section B, Economic Feasibility, 2, A.
- B. Tax-exempt bonds – Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- C. General obligation bonds – Copy of resolution from issuing authority or minutes from the appropriate meeting;
- D. Grants – Notification of intent form for grant application or notice of grant award;
- E. Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or
- F. Other – Identify and document funding from all other sources.

3. Complete Historical Data Charts on the following two pages—Do not modify the Charts provided or submit Chart substitutions!

Historical Data Chart(s) represents revenue and expense information for the last *three (3)* years for which complete data is available. The “Project Only Chart” provides information for the services being presented in the proposed project while the “Total Facility Chart” provides information for the entire facility. Complete both, if applicable.

Note that “Management Fees to Affiliates” should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. “Management Fees to Non-Affiliates” should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

N/A; this is a proposed new facility so there is no past data to report.

4. Complete Projected Data Charts on the following two pages – Do not modify the Charts provided or submit Chart substitutions!

Projected Data Chart(s) Provide information for the two years following the completion of the project. The “Project Only Chart” should reflect revenue and expense projects for the project (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The “Total Facility Chart” should reflect information for the total facility. Complete both, if applicable.

Note that “Management Fees to Affiliates” should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. “Management Fees to Non-Affiliates” should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

A Projected Data Chart is attached on the following pages.

PROJECTED DATA CHART

X Total Facility
___ Project Only

Give information for the last two (2) years for which complete data are available for the facility or agency. The fiscal year begins in January (Month)

	Year: 1	Year: 2
A. Utilization/Occupancy Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	3801 Cases	3818 Cases
B. Revenue from Services to Patients		
1. Inpatient Services		
2. Outpatient Services	<u>\$22,369,000.00</u>	<u>\$22,672,000.00</u>
3. Emergency Services		
4. Other Operating Revenue	<u>\$805,080.00</u>	<u>\$824,220.00</u>
Specify: <u>Reimbursement for Implants & Supplies</u>		
Gross Operating Revenue	<u>\$23,174,080.00</u>	<u>\$23,496,220.00</u>
C. Deductions from Operating Revenue		
1. Contract Deductions	<u>\$13,128,614.00</u>	<u>\$13,305,997.00</u>
2. Provision for Charity Care (<i>Included in Bad Debt</i>)		
3. Provision for Bad Debt	<u>\$292,586.00</u>	<u>\$296,803.00</u>
Total Deductions	<u>\$13,421,200.00</u>	<u>\$13,602,800.00</u>
NET OPERATING REVENUE	<u>\$9,752,880.00</u>	<u>\$9,893,420.00</u>
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	<u>\$1,905,280.00</u>	<u>\$1,975,370.00</u>
b. Non-Patient Care		
2. Physicians' Salaries and Wages		
3. Supplies	<u>\$4,074,700.00</u>	<u>\$4,155,190.00</u>
4. Rent		
a. Paid to Affiliates	<u>\$1,199,995.00</u>	<u>\$1,223,962.00</u>
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Fees to Affiliates	<u>\$268,434.00</u>	<u>\$272,076.00</u>
b. Fees to Non-Affiliates		
6. Other Operating Expenses	<u>\$746,490.00</u>	<u>\$757,910.00</u>
Total Operating Expenses	<u>\$8,194,899.00</u>	<u>\$8,384,508.00</u>
E. Earnings Before Interest, Taxes, and Depreciation	<u>\$1,557,981.00</u>	<u>\$1,508,912.00</u>
F. Non-Operating Expenses		
1. Taxes	<u>\$32,579.00</u>	<u>\$26,621.00</u>
2. Depreciation	<u>\$799,344.00</u>	<u>\$809,340.00</u>
3. Interest	<u>\$221,690.00</u>	<u>\$176,309.00</u>
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	<u>\$1,053,613.00</u>	<u>\$1,012,270.00</u>
NET INCOME (LOSS)	<u>\$504,368.00</u>	<u>\$496,642.00</u>
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment		
2. Annual Capital Expenditure		
Other Total Deductions	<u>\$0.00</u>	<u>\$0.00</u>
NET BALANCE	<u>\$504,368.00</u>	<u>\$496,642.00</u>
DEPRECIATION	<u>\$799,344.00</u>	<u>\$809,340.00</u>
FREE CASH FLOW (Net Balance + Depreciation)	<u>\$1,303,712.00</u>	<u>\$1,305,982.00</u>

PROJECTED DATA CHART – OTHER EXPENSES

Total Facility
 Project Only

<u>OTHER EXPENSE CATEGORY</u>	Year:	Year: 1	Year: 2
1. Professional Services Contracts	\$	39,960.00	\$ 39,960.00
2. Contract Labor			
3. Imaging Interpretation Fees (Itemize all others below)			
Small Equipment / Maintenance	\$	127,560.00	\$ 130,080.00
Utilities	\$	110,160.00	\$ 112,320.00
Other Fixed Facility Costs (T/I/M)	\$	110,160.00	\$ 112,320.00
Outsourced Services	\$	127,560.00	\$ 130,080.00
Insurance	\$	81,600.00	\$ 83,280.00
General and Administrative	\$	102,000.00	\$ 102,170.00
Billing and Transcription	\$	<u>47,490.00</u>	<u>\$ 47,700.00</u>
TOTAL OTHER EXPENSES		<u><u>\$ 746,490.00</u></u>	<u><u>\$ 757,910.00</u></u>

5. A. Please identify the project’s average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

Total Facility Chart

	Previous Year	Current Year	Year 1	Year 2	% Change (Year 1 to Year 2)
Gross Charge (<i>Gross Operating Revenue/Utilization Data</i>)	N/A	N/A	\$6,097	\$6154	0.9%
Deduction from Revenue (<i>Total Deductions/Utilization Data</i>)	N/A	N/A	\$3531	\$3563	0.9%
Average Net Charge (<i>Net Operating Revenue/Utilization Data</i>)	N/A	N/A	\$2566	\$2591	1.0%

- B. Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

The average charges are shown above. There are no current charges and thus no impact on current charges.

- C. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of recently approved Certificates of Need. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

The charge master for the proposed ASTC is voluminous, but it will be provided if requested. On average the Medicare rate is approximately 40% of the proposed gross charges.

A true comparison of charges to other similar facilities in the service area is not possible, because there are no other orthopedic-only ASCs in the service area. In general, charges for outpatient orthopedic surgery are among the highest because of the relative complexity of the procedures. Therefore, is not accurate to compare the applicant’s proposed charges to surgery centers that have a mix of lower acuity cases. For information purposes and for completeness, a listing of average net charges of the multi-specialty ASTCs in the service area which fully reported in 2019 is reflected below.

AVERAGE NET CHARGES OF MULTI-SPECIALTY ASTCs - 2019		
Facility	County	Average Net Charge
Bristol Surgery Center	Sullivan	\$895
Kingsport ASC	Sullivan	\$1901
Holston Valley ASC	Sullivan	\$1349
East Tennessee ASC	Washington	\$1531
Mountain Empire Surgery Center	Washington	\$2024

6. A Discuss how projected utilization rates will be sufficient to support the financial performance.

- 1) Noting when the project’s financial breakeven is expected, and
- 2) Demonstrating the availability of sufficient cash flow until financial viability is achieved.

The project is projected to cash flow and to be profitable from the outset. The need for a capital infusion is not expected but could be raised from the roughly 17 investing surgeons if necessary.

Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment Section B-Economic Feasibility-6A.

The project will be fully funded through a commercial loan, but for purposes of completeness a copy of financial statements of Watauga Orthopedics, P.C. is attached as Attachment Section B, Economic Feasibility, 6, A.

- B. Net Operating Margin Ratio: The Net Operating Margin Ratio demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).**

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following tables. Complete Project Only Chart and Total Facility Chart, if applicable

Total Facility Chart

Year	2nd Previous Year to Most Recent Year	1st Previous Year to Most Recent Year	Most Recent Year	Projected Year 1 Year 2022	Projected Year 2 Year 2023
Net Operating Margin Ratio	N/A	N/A	N/A	16%	15%

- C) Capitalization Ratio: The Long-term debt to capitalization ratio measure the proportion of debt financing in a business’s permanent (long-term) financing mix. This ratio best measures a business’s true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: ((Long-Term Debt)/ + Long Term Debt + Total Equity {Net Assets}) x 100**

For self or parent company funded projects, provide the capitalization using the most recent year available from the funding entity’s audited balance sheet, if applicable. Capitalization Ratios are not expected from outside the company lenders that provide funding. This question is applicable to all applications regardless of whether or not the project is being or totally funded by debt financing.

The project is being totally funded by an outside lender. The applicant is a newly formed entity and has no long-term debt or assets.

7. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below. Complete Project Only Chart and Total Facility Chart, if applicable.

**Applicant's Projected Payor Mix, Year 1
Total Facility Chart**

Payor Source	Projected Gross Operating Revenue	As a % of total
Medicare/Medicare Managed Care	\$6,344,027	27.38%
TennCare/Medicaid	\$842,420	3.64%
Commercial/Other Managed Care	\$8,044,852	34.71%
Self-Pay	\$4,988,634	21.53%
Other (Specify): Workers' Comp and Federal	\$2,954,147	12.75%
Total	\$23,174,080	100%
Charity Care	\$292,586	1.3%

8. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources, such as the US Department of Labor. Wage data pertaining to healthcare professions can be found at the following link: <https://www.bls.gov/oes/current/oes tn.htm>.

A table showing the proposed staffing is provided below.

	Position Classification	Existing FTEs	Projected FTEs	Average Wage (Contractual Rate)	Area Wide/Statewide Average Wage
A	Direct Patient Care Positions				
	Nurse Administrator / Director		1	\$ 114,400	89,000
	Nursing - OR		7.98	\$ 66,560	50,000
	Nursing - Pre / Post / Float		5.98	\$ 58,240	36,000
	OR / Instrument Techs		5.98	\$ 41,600	39,000
	Medical Assistant		2	\$ 37,532	36,000
	X-Ray Techs		0.5	\$ 62,400	44,000
	Total Direct Patient Care Positions		23.44		
B	Non-Patient Care Positions				
	ASC Office Manager		1	\$ 62,400	60,000
	Materials Manager		1	\$ 58,240	52,000
	Reception / Scheduling / Med. Rec.		3	\$ 31,200	29,000
	Coding		1	\$ 49,920	38,000
	Total Non-Patient Care Positions		6		
	Total Employees (A+B)		29.44		
C	Contractual Staff				
	Total Staff		29.44		

9. What alternatives to this project were considered? Discuss the advantages and disadvantages of each, including but not limited to:
- A. The availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.
 - B. Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

No alternatives were seriously considered as realistic options. The nature of this facility – a specialty ASTC limited to orthopedics – greatly reduces the opportunities to have sharing arrangements with other physicians or groups. The alternative of leasing an existing building rather than new construction is not satisfactory because of the need for a building especially suited for this specialty orthopedic surgery center.

QUALITY STANDARDS

1. **PC 1043, Acts of 2016, any receiving a CON after July 1, 2016 must report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures. Please verify that annual reporting will occur.**

The applicant with comply with all HSDA reporting requirements.

2. **Quality-The the proposal shall provide health care that meets appropriate quality standards.**

Please address each of the following questions:

A. Does the applicant commit to the following?

- 1) **Maintaining the staffing comparable to the staffing chart presented in its CON application;**

Yes

- 2) **Obtaining and maintaining all applicable state licenses in good standing;**

Yes

- 3) **Obtain and maintaining TennCare and Medicare certification(s), if participation in such programs was indicated in the application.**

Yes

- 4) **For an existing healthcare institution applying for a CON – Has it maintained substantial compliance with applicable federal and state regulation for the three years prior to the CON application. In the event of non-compliance, the nature of non-compliance and corrective action should be discussed to include any of the following: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions and what measures the applicable has or will put into place to avoid similar findings in the future.**

Yes

- 5) **For an existing healthcare institution applying for a CON – Has the entity been decertified within the prior three years? If yes, please explain in detail. (This provision shall not apply if a new, unrelated owner applies for a CON related to a preciously decertified facility)**

N/A

B. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

- 1) **Has any of the following:**

- a. Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);
- b. Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest
- c. Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

2) **Been subjected to ant of the following:**

- a. **Final Order or Judgment in a state licensure action;**

No

- b. **Criminal; fines in cases involving a Federal or State health care offense**

No

- c. **Civil monetary penalties in cases involving a Federal or State health care offense;**

No

- d. **Administrative monetary penalties in cases involving a Federal or State health care offense;**

No

- e. **Agreement to pay civil or administrative monetary penalties to the federal government or any state in case involving claims related to the provision of health care items and services; and/or**

No

- f. **Suspension or termination of participation in Medicare or Medicaid/TennCare programs.**

No

- g. **Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.**

No

- h. **Is presently subject to a corporate integrity agreement.**

No

- C. **Does the applicant plan, within 2 years of implementation of the project, to participate in self-assessment and external assessment against nationally available**

benchmark data to accurately assess its level of performance in relation to established standards and to implement ways to continuously improve?

NOTE: Existing licensed, accredited and/or certified providers are encouraged to describe their process for same. N/A.

1) If the applicant does not plan to participate in these type of assessments, explain why since quality healthcare must be demonstrated.

Yes. The ASTC will be accredited by the AAAHC which involve external assessment under strict compliance standards.

Please complete the chart below on accreditation, certification, and licensure plans.

Credential	Agency	Status (Active or Will Apply)
Licensure	<input checked="" type="checkbox"/> Health <input type="checkbox"/> Intellectual and Developmental Disabilities <input type="checkbox"/> Mental Health and Substance Abuse Services	Will apply
Certification	<input checked="" type="checkbox"/> Medicare <input checked="" type="checkbox"/> Medicaid/TennCare <input type="checkbox"/> Other _____	Will apply
Accreditation	Accreditation Association for Ambulatory Health Care	Will apply

2) Based upon what was checked/completed in above table, will the applicant accept a condition placed on the certificate of need relating to obtaining/maintaining license, certification, and/or accreditation?

The applicant does not believe such as condition is necessary or helpful but will accept such condition if the Agency deems it appropriate.

D. The following list of quality measures are service specific. Please indicate which standards you will be addressing in the annual Continuing Need and Quality Measure report if the project is approved.

X	<p>For Ambulatory Surgical Treatment Center projects: Estimating the number of physicians by specialty expected to utilize the facility, developing criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel, and documenting the availability of appropriate and qualified staff that will provide ancillary support services, whether on-or off-site?</p> <p>Marc A. Aiken, M.D. - General D. Christopher Carver, M.D. - Sports Robert J. DeTroye, M.D. - General Richard W. Duncan, M.D. - Spine Tyler M. Duncan, D.O. - General Jason A Fogleman, M.D. - Foot and Ankle Jeffery F. France, M.D. - General Thomas W. Gill, M.D. - General Joseph R. Hurst, D.O. - General Timothy D. Jenkins, M.D. - General Kent J. Lord, M.D. - Hand Scott R. MacDonald, D.O. - Spine Mark T. McQuain, M.D. - M&R Karen J. McRae, M.D. - Foot and Ankle Dustin M. Price, M.D. - Total Joints Gregory L. Stewart, M.D. - General J. Michael Wells, M.D. - Sports</p> <p>Credentialing at the ASC will follow traditional credentialing protocols as established by the ASC and the Medical Director. These criteria will include:</p> <p>Education and work history Copy of Current Medical License(s) Listing of Affiliations with other health care institutions (hospitals, ASCs, etc.) DEA credentials and certificate BLA, ACLS, and/or PALS Certificates Listing of Specialty Board Certifications and continuing education Evidence of Malpractice Insurance and history of any malpractice actions Request for Professional References / Peer Recommendations Current Curriculum Vitae Current TB skin test results, verification of influenza vaccination and Hepatitis B Series vaccination</p>
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CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

The responses to this section of the application helps determine whether the project will contribute to the orderly development of healthcare within the service area.

- 1. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.**

The ASTC will likely contract for anesthesiology services but may decide to bring that function in-house. It is too soon to make this determination. If a transfer agreement is needed, one or more will be obtained when it is closer to time for the facility to open. However, all of the Watauga-affiliated surgeons have privileges at the following hospitals: Holston Valley, Indian Path, Franklin Woods, Johnson City Medical Center, and Bristol Regional. If a patient needs admission to a hospital, this can be accomplished without a transfer agreement.

2. **Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

A) Positive Effects

(1) This would be the only orthopedic-only specialty ASTC in the service area; (2) this ASTC would foster better patient outcomes and fewer medical errors which are empirically associated with orthopedic only surgery centers; (3) this ASTC would provide a lower cost setting for orthopedic procedures which are currently performed in a hospital outpatient setting; (4) This ASTC would allow some decompressing of existing surgery center and allow for more timely scheduling and performance of surgeries; (5) this ASTC would allow more total joint replacements to be performed in the lower cost ASTC setting, consistent with changing Medicare reimbursement policies.

B) Negative Effects

The only negative effect would be the loss of cases which would be experienced by some existing providers. The loss of some cases by some providers is more than offset by the benefits to patients, payors, and surgeons as summarized above.

3. **A) Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements, CMS, and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.**

Compliance with all license and accreditation requirements relating to staff will be maintained. The clinical staff will consist of and/or be under the direction of, the Watauga surgeons affiliated with the ASTC. The staffing plan calls for approximately 23.4 FTE patient care positions. Watauga is a large and experienced health care employer, and anticipates no significant problem hiring qualified staff as needed.

B) Document the category of license/certification that is applicable to the project and why. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

The ASTC will be licensed by the Tennessee Board for Licensing Health Care Facilities and will be accredited by the Accreditation Association for Ambulatory Health Care. The mentioned functions are part of licensure and accreditation compliance.

C) Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

This is a proposed new provider and new facility, so no such training programs are in place. It would not be unusual for such programs to come to fruition in the future.

4. Outstanding Projects:

A. Complete the following chart by entering information for each applicable outstanding CON by the applicant or shared common ownership; and

N/A

<u>Outstanding Projects</u>					
<u>CON Number</u>	<u>Project Name</u>	<u>Date Approved</u>	<u>*Annual Progress Report(s)</u>		<u>Expiration Date</u>
			<u>Due Date</u>	<u>Date Filed</u>	

* Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

B. Describe the current progress, and status of each applicable p outstanding CON.

N/A

5. Equipment Registry – For the applicant and all entities in common ownership with the applicant.

A Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)?

Watauga Orthopedics, P.C. owns and operates two MRI units – one in Johnson City and one in Kingsport.

B. If yes, have you submitted their registration to HSDA? If you have, what was the date of submitted.

Yes. Johnson City registration submitted 10/1/07. Kingsport registration summitted 5/27/17.

C. If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission?

Yes. Utilization on both units was reported on 2/10/20.

SECTION C: STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at <http://www.tn.gov/health/health-programareas/health-planning/state-health-plan.html>). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

- 1. The purpose of the State Health Plan is to improve the health of Tennesseans.**

This proposed ASTC would help improve the health of its patients.

- 2. Every citizen should have reasonable access to health care.**

This proposed ASTC will improve access to health care.

- 3. The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system.**

The establishment of this proposed ASTC consistent with those goals.

- 4. Every citizen should have confidence that the quality of health care is continually monitored, and standards are adhered to by health care providers.**

This is assured by the facility's compliance with all licensure and accreditation standards.

- 5. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.**

The applicant believes the work force is sufficient to provide the new positions necessary to staff this ASTC.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

Date LOI was Submitted: July 10, 2020

Date LOI was Published: July 10, 2020

A Publisher's Affidavit will be timely submitted.

NOTIFICATION REQUIREMENTS

1. T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."
2. T.C.A. §68-11-1607(c)(9)(B) states that " ...If an application involves a healthcare facility in which a county or municipality is the lessor of the facility or real property on which it sits, then within ten (10) days of filing the application, the applicant shall notify the chief executive officer of the county or municipality of the filing, by certified mail, return receipt requested.

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

N/A

DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the CON is granted and the project cannot be completed within the standard completion time period (3 years for hospital projects and 2 years for all others), please document why an extended period should be approved and document the "good cause" for such an extension.

N/A

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Phase	<u>Days Required</u>	<u>Anticipated Date [Month/Year]</u>
1. Initial HSDA decision date		<u>10/28/20</u>
2. Architectural and engineering contract signed	<u>6</u>	<u>11/2/20</u>
3. Construction documents approved by the Tennessee Department of Health	<u>332</u>	<u>9/24/21</u>
4. Construction contract signed	<u>94</u>	<u>1/29/21</u>
5. Building permit secured	<u>339</u>	<u>10/1/21</u>
6. Site preparation completed	<u>486</u>	<u>2/25/22</u>
7. Building construction commenced	<u>356</u>	<u>10/18/21</u>
8. Construction 40% complete	<u>458</u>	<u>1/28/22</u>
9. Construction 80% complete	<u>584</u>	<u>6/3/22</u>
10. Construction 100% complete (approved for occupancy)	<u>640</u>	<u>7/29/22</u>
11. *Issuance of License	<u>668</u>	<u>8/26/22</u>
12. *Issuance of Service	<u>668</u>	<u>8/26/22</u>
13. Final Architectural Certification of Payment	<u>640</u>	<u>7/29/22</u>
14. Final Project Report Form submitted (Form HR0055)	<u>640</u>	<u>7/29/22</u>

*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 only.

NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

LIST OF ATTACHMENTS

Articles of Organization	<u>Attachment Section A, Project Details, 4, B</u>
Site control documents	<u>Attachment Section A, Project Details, 6, A</u>
Plot plan	<u>Attachment Section A, Project Details, 6, B, 1</u>
Floor plan	<u>Attachment Section A, Project Details, 6, B, 2</u>
Utilization data for ASTCs	<u>Attachment Section B, Need, CON Standards, 1</u>
Letter from the architect	<u>Attachment Section B, Economic Feasibility, 1, E</u>
Funding letter	<u>Attachment Section B, Economic Feasibility, 2, A</u>
Financial statements	<u>Attachment Section B, Economic Feasibility, 6, A</u>



Tre Hargett
Secretary of State

Division of Business Services
Department of State
State of Tennessee
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

Watauga Surgical Partners, PLLC
KIM WISHON
2410 SUSANNAH ST
JOHNSON CITY, TN 37601-1748

February 11, 2020

Filing Acknowledgment

Please review the filing information below and notify our office immediately of any discrepancies.

SOS Control # :	001079155	Formation Locale:	TENNESSEE
Filing Type:	Limited Liability Company - Domestic	Date Formed:	02/11/2020
Filing Date:	02/11/2020 2:53 PM	Fiscal Year Close:	12
Status:	Active	Annual Report Due:	04/01/2021
Duration Term:	Perpetual	Image # :	B0815-7742
Business Type:	Professional Limited Liability Company		
Managed By:	Manager Managed		
Business County:	WASHINGTON COUNTY		

Document Receipt

Receipt # : 005273639	Filing Fee:	\$600.00
Payment-Credit Card - State Payment Center - CC #: 3775365306		\$600.00

Registered Agent Address:
ENSLEY, BAKER AND SHADE, PLLC
STE 2
801F SUNSET DR
JOHNSON CITY, TN 37604-8314

Principal Address:
KIM WISHON
2410 SUSANNAH ST
JOHNSON CITY, TN 37601-1748

Congratulations on the successful filing of your **Articles of Organization** for **Watauga Surgical Partners, PLLC** in the State of Tennessee which is effective on the date shown above. You must also file this document in the office of the Register of Deeds in the county where the entity has its principal office if such principal office is in Tennessee. Please visit the Tennessee Department of Revenue website (www.tn.gov/revenue) to determine your online tax registration requirements. If you need to obtain a Certificate of Existence for this entity, you can request, pay for, and receive it from our website.

You must file an Annual Report with this office on or before the Annual Report Due Date noted above and maintain a Registered Office and Registered Agent. Failure to do so will subject the business to Administrative Dissolution/Revocation.

Tre Hargett
Secretary of State



001079155

ARTICLES OF ORGANIZATION LIMITED LIABILITY COMPANY

SS-4270



Tre Hargett
Secretary of State

**Division of Business Services
Department of State
State of Tennessee**
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102
(615) 741-2286

Filing Fee: \$50.00 per member
(minimum fee = \$300.00, maximum fee = \$3,000.00)

For Office Use Only

-FILED-

Control # 001079155

The Articles of Organization presented herein are adopted in accordance with the provisions of the Tennessee Revised Limited Liability Company Act.

1. The name of the Limited Liability Company is: Watauga Surgical Partners, PLLC

(Note: Pursuant to the provisions of T.C.A. §48-249-106, each Limited Liability Company name must contain the words "Limited Liability Company" or the abbreviation "LLC" or "L.L.C.")

2. Name Consent: (Written Consent for Use of Indistinguishable Name)

This entity name already exists in Tennessee and has received name consent from the existing entity.

3. This company has the additional designation of: Professional Limited Liability Company

4. The name and complete address of the Limited Liability Company's initial registered agent and office located in the state of Tennessee is:

ENSLEY, BAKER AND SHADE, PLLC
STE 2
801F SUNSET DR
JOHNSON CITY, TN 37604-8314
WASHINGTON COUNTY

5. Fiscal Year Close Month: December

6. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date and time is:
(none) (Not to exceed 90 days)

7. The Limited Liability Company will be:

Member Managed Manager Managed Director Managed

8. Number of Members at the date of filing: 12

9. Period of Duration: Perpetual

10. The complete address of the Limited Liability Company's principal executive office is:

KIM WISHON
2410 SUSANNAH ST
JOHNSON CITY, TN 37601-1748
WASHINGTON COUNTY

B0815-7742 02/11/2020 2:53 PM Received by Tennessee Secretary of State Tre Hargett



B0815-7743 02/11/2020 2:53 PM Received by Tennessee Secretary of State Tre Hargett

ARTICLES OF ORGANIZATION
LIMITED LIABILITY COMPANY

SS-4270



Tre Hargett
Secretary of State

Division of Business Services
Department of State
State of Tennessee
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102
(615) 741-2286

Filing Fee: \$50.00 per member
(minimum fee = \$300.00, maximum fee = \$3,000.00)

For Office Use Only

-FILED-

Control # 001079155

The name of the Limited Liability Company is: Watauga Surgical Partners, PLLC

11. The complete mailing address of the entity (if different from the principal office) is:

KIM WISHON
2410 SUSANNAH ST
JOHNSON CITY, TN 37601-1748

12. Non-Profit LLC (required only if the Additional Designation of "Non-Profit LLC" is entered in section 3.)

I certify that this entity is a Non-Profit LLC whose sole member is a nonprofit corporation, foreign or domestic, incorporated under or subject to the provisions of the Tennessee Nonprofit Corporation Act and who is exempt from franchise and excise tax as not-for-profit as defined in T.C.A. §67-4-2004. The business is disregarded as an entity for federal income tax purposes.

13. Professional LLC (required only if the Additional Designation of "Professional LLC" is entered in section 3.)

I certify that this PLLC has one or more qualified persons as members and no disqualified persons as members or holders.

Licensed Profession: Physicians

14. Series LLC (optional)

I certify that this entity meets the requirements of T.C.A. §48-249-309(a) & (b)

15. Obligated Member Entity (list of obligated members and signatures must be attached)

This entity will be registered as an Obligated Member Entity (OME) Effective Date: (none)

I understand that by statute: THE EXECUTION AND FILING OF THIS DOCUMENT WILL CAUSE THE MEMBER(S) TO BE PERSONALLY LIABLE FOR THE DEBTS, OBLIGATIONS AND LIABILITIES OF THE LIMITED LIABILITY COMPANY TO THE SAME EXTENT AS A GENERAL PARTNER OF A GENERAL PARTNERSHIP. CONSULT YOUR ATTORNEY.

16. This entity is prohibited from doing business in Tennessee:

This entity, while being formed under Tennessee law, is prohibited from engaging in business in Tennessee.

17. Other Provisions:

Electronic

Signature

Philip R Baker

Printed Name

Organizer

Title/Signer's Capacity

Feb 11, 2020 2:53PM

Date

OPTION TO LEASE AGREEMENT

THIS OPTION TO LEASE AGREEMENT is made and entered into as of this 5th day of March 2020, by and between Marc Aiken, D. Christopher Carver, Robert DeTroye, Richard Duncan, Tyler Duncan, Jason Fogleman, Jeffery France, Thomas Gill, Joseph Hurst, Timothy Jenkins, Kent Lord, Scott MacDonald, Karen McRae, Dustin Price, Gregory Stewart, James Michael Wells, as tenants in common, ("Optionors") and Watauga Surgical Partners, LLC, ("Optionee") (collectively the "Parties").

WITNESSETH:

WHEREAS, Optionors are parties to a contract to purchase certain real property on a site located on the south side of Wallace Alley Street, approximately 0.1 miles from its intersection with Harry Steadman Drive, Kingsport, Tennessee in Sullivan County, Tennessee, (the "Land") and intends to construct or cause to be constructed a commercial building (the "Building") on the said Land for the purpose of leasing the Building or a portion thereof to Optionee; and

WHEREAS, Optionee wishes to lease the Building or a portion thereof (the "Optioned Premises") for the purpose of establishing an Ambulatory Surgery Center therein, subject to receiving certificate of need and any other applicable regulatory approvals; and

WHEREAS, Optionors are willing to grant to Optionee an option to lease the Optioned Premises under terms and conditions the totality of which will be negotiated and agreed upon in good faith between the Parties.

NOW THEREFORE, for and in consideration of the sum of the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Optionors hereby grant to Optionee an option to lease the Optioned Premises, which option shall extend from the date hereof and shall expire at 5:00 p.m. local time on October 31, 2020 (the "Option Expiration Date"). Optionee will have the right to extend the Option Expiration Date for up to an additional ninety (90) days from the Option Expiration Date (the "Extended Option Expiration Date") upon giving written notice of its intent to do so to Optionors at least fifteen (15) days prior to the Option Expiration Date.

2. Optionee must give written notice to Optionors of its election to exercise such option on or before 5:00 p.m. on the Option Expiration Date or the Extended Option Expiration Date. Failure to exercise such option shall result in the termination of any rights granted to Optionee.

3. In the event that Optionee exercises the option, the Parties will negotiate in good faith to reach and enter into a final definitive lease agreement which will include all terms and conditions of the lease (the "Lease"). In the event the Parties are not able to agree upon a final definitive lease agreement within thirty (30) days after the exercise of the option, then this Option to Lease Agreement and the rights and obligations of either party to the other party as to the Optioned Premises granted hereunder shall terminate and be of no further force and effect.

4. For the purpose of making a good faith estimate of the cost of the Lease over the initial term of the Lease, as required for a certificate of need application, the parties estimate the Lease rate will be approximately \$47.82 per square foot and the initial term will be not less than three (3) years. The final lease rate, term of the lease and all other terms and conditions of the Lease will be agreed to and set forth in the definitive lease agreement.

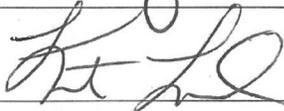
5. The Parties acknowledge that Optionors may assign their rights to purchase the Land or may sell the Land, to a to-be-formed entity owned by Optionors (the "Future Propco"). In the event that Optionors elect to assign the rights or ownership in the Land the Future Propco, then this Option to Lease Agreement will automatically be binding on the Future Propco, which will be substituted as the "Optionor" hereunder.

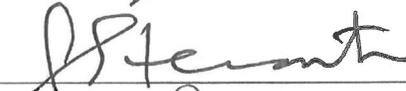
IN WITNESS WHEREOF the authorized representatives of the Parties have executed this Option Agreement, and the same is effective as of the date first written herein above. Counterpart, facsimile and PDF execution shall be permitted and each shall constitute an original of such signing party.

"OPTIONOR"







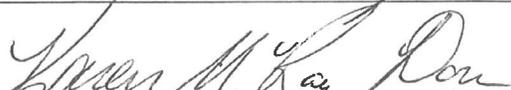














Patricia M
James
W. J.
W. J.
W. J.
W. J.
W. J.

"OPTIONEE"

Watauga Surgical Partners, LLC

By: *James A. ... MD*

Title: President

AGREEMENT TO ASSIGN REAL ESTATE PURCHASE AND SALE AGREEMENT

THIS AGREEMENT TO ASSIGN REAL ESTATE PURCHASE AND SALE AGREEMENT (the "First Amendment"), is effective as of the ____ day of July, 2020, by and among ENSLEY, BAKER & SHADE, PLLC ("ASSIGNOR") and WATAUGA SURGICAL PARTNERS, PLLC, a Tennessee Professional Limited Liability Company ("Assignee", and together with Assignor, the "Parties").

RECITALS:

A. On or about June 26, 2020, Assignor entered into a Real Estate Purchase and Sale Agreement for the sale of real property located at Wallace Alley Street, Kingsport, Tennessee (the "Agreement") which is hereby attached as Exhibit 1.

B. The Parties wish to assign the Agreement, as amended, in its entirety from Assignor to Assignee.

C. Assignor has given notice in writing to Brooks Family Limited Partnership #1, the Seller of the property in issue, pursuant to the terms of the executed Real Estate Purchase and Sale Agreement.

AGREEMENT:

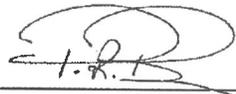
For and in consideration of the mutual covenants herein, Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Assignor shall assign the Real Estate Purchase and Sale Agreement to Assignee upon notice from Assignee of the specific date on which assignment shall take place.
2. The Parties shall enter into a written Assignment Agreement to be executed upon request of Assignee.
3. Upon execution of the written Assignment Agreement, Assignee shall assume all obligations and responsibilities required of Assignor under the executed Real Estate Purchase and Sale Agreement, as amended.
4. Upon execution of the written Assignment Agreement, Assignor shall release all claim to rights or privileges set forth in the Real Estate Purchase and Sale Agreement.

IN WITNESS WHEREOF, the parties to this Agreement to Assign Real Estate Purchase and Sale Agreement have executed or caused to be executed this Agreement to Assign Real Estate Purchase and Sale Agreement, being duly authorized so to do, as of the ____ day of July 2020.

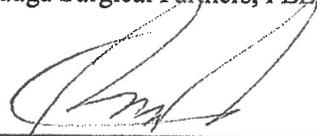
ASSIGNOR

Ensley, Baker & Shade, PLLC

By: 
Its: Member

ASSIGNEE

Watauga Surgical Partners, PLLC

By: 
Its: Member

REAL ESTATE PURCHASE AND SALE AGREEMENT

THIS REAL ESTATE PURCHASE AND SALE AGREEMENT is made and entered into as of June 26th, 2020 (this "Agreement"), by and between Brooks Family Limited Partnership #1 (hereinafter "Seller"), a Tennessee Limited Partnership, having a principal address and mailing address of 4823 Old Kingston Pike, Suite 100, Knoxville, TN 37919-6499 and ENSLEY, BAKER & SHADE, PLLC ("Buyer"), a Tennessee Professional Limited Liability Company, or its assigns, having an address at 801 F Sunset Drive, Suite 2, Johnson City, TN 37604, for the purchase of that certain real estate commonly known as a contiguous 2.9 acres +/- tract of land located in Sullivan County being a parcel with a tax ID of 094 009.24 and a physical mailing address of Wallace Alley Street, Kingsport, Tennessee. Buyer wishes to purchase the 2.9 acre +/- parcel more specifically identified on EXHIBIT A attached hereto and made a part hereof, together with all improvements and fixtures located thereon, all hereditaments, appurtenances, rights, privileges and easements, if any, belonging thereto and the reversion or reversions, remainder or remainders, rents, issues and profits thereof, and all water, mineral and air rights related thereto (collectively, the "Property").

TERMS AND CONDITIONS

Seller agrees to sell the Property, and Buyer agrees to purchase the Property, on the following terms and conditions.

- 1. PURCHASE PRICE:** The purchase price for the Property is ONE HUNDRED NINETY-NINE THOUSAND, FIVE HUNDRED DOLLARS (\$199,500.00) (the "Purchase Price") which shall be paid at Closing (as defined below) pursuant to the terms stated herein, subject to credits, prorations and adjustments provided herein. Property is being purchased in "AS IS" condition.
- 2. DEPOSIT:** Within two (2) business days following the Effective Date (as defined below in Paragraph 23), Buyer shall deposit with HOLROB c/o Mark Shipe, ("Broker") an amount equal to \$10,000.00 ("Deposit"). The Deposit shall not be invested. The Deposit is to be held in escrow and deposited into the escrow account of Seller's broker until released to Seller or Buyer as provided herein or applied to the Purchase Price and paid to Seller at Closing. In no case shall the Deposit be surrendered except upon written agreement signed by the parties hereto, their respective legal representatives or assigns, or a court order directing payment, except as otherwise provided herein.
- 3. CLOSING:** Closing of the purchase and sale of the Property ("Closing") shall take place thirty (30) days after the completion of the Contingency Period (as defined below in Paragraph 7), but subject to the satisfaction or waiver of Buyer's contingencies, and subject to extension as provided below ("Closing Date"). The Closing shall occur at 10:00 am or such other time as the parties agree via an electronic exchange of documents, provided that Seller shall deliver an original limited warranty deed to Buyer's attorney via overnight delivery prior to Closing, which Buyer shall direct Buyer's attorney to hold in escrow until the Closing. Buyer shall pay the cost of the deed recording fees and transfer taxes, title insurance and its legal expenses. Buyer shall pay for its title insurance work to be furnished to Seller and any desired survey and topography. Seller shall pay the costs of deed preparation and its legal expenses. Seller shall be responsible for any and all rollback taxes that may occur through the date of sale of the Property. All other closing costs shall be paid as provided in this Agreement and otherwise in accordance with the custom in the county in which the Property is located or as specified by law or in this Agreement. Buyer's attorney shall prepare all the documents with the exception of the Limited Warranty Deed, which shall be subject to the approval of the Buyer's attorney. At Closing, both Buyer and Seller shall deliver, or cause to be delivered, to the other the following: (a) closing statement; and (b) such other documents, instruments and amounts as may be reasonably required to carry out the terms and intent of this Agreement or as reasonably requested by a party. Buyer's

counsel shall prepare all documents to be executed by the parties, and such documents shall be subject to Seller's counsel approval. Buyer will not assume any obligations of Seller as of Closing. The obligations in this Section 3 shall survive closing.

4. **PRORATIONS:** Accrued but unpaid real estate taxes for the year 2020 shall be prorated at Closing by a credit equal to the product of the most recent ascertainable real estate tax assessment. If there are real estate taxes owed for any prior year, such bill shall be paid at Closing by Seller. All real estate tax prorations shall be final.
5. **TITLE:** Within thirty (30) days after the Effective Date, Buyer shall procure at Buyer's expense and cause to be delivered to Seller and Buyer a preliminary title commitment (the "Commitment") for an owner's title insurance policy issued by a title insurance company satisfactory to Buyer or Buyer's lender ("Title Company") in the amount of the Purchase Price covering title to the Property and, to the extent available, legible copies of all documents set forth in the Commitment as exceptions to title. If Buyer objects to any title exceptions, Seller shall, within thirty (30) days after receipt of Buyer's objections, at Seller's option either obtain a release of such exceptions or notify Buyer of Seller's refusal to obtain a release; provided, however, if any exception relates to any mortgage, mechanics lien, or tax lien, Seller shall be obligated to satisfy such mortgage, mechanics lien, or tax lien and may use the net amount of the Purchase Price at Closing for such purpose. If Seller is unable or unwilling to obtain such release, Seller shall deliver to Buyer written notice thereof prior to the expiration of such thirty (30) day period, in which event Buyer may elect to terminate this Agreement and receive back the Deposit upon notice from Buyer to Broker without any further action from Seller, and Buyer and Seller shall have no further obligations under this Agreement, or alternatively, Buyer may elect to waive its objections and purchase the Property subject to such exception(s).

At Closing, Seller shall convey marketable fee simple title to the Property by Limited Warranty Deed to Buyer (or to such person or entity as Buyer may specify) subject only to the exceptions or survey matters approved by Buyer in accordance with this Agreement.

6. **REPRESENTATIONS AND WARRANTIES:** Seller represents and warrants to Buyer that the following are true as of the Effective Date and will be true as of the Closing Date: (a) Seller has not received any written notice which remains outstanding from any governmental body having jurisdiction over the Property as to, and has no knowledge of, any violation of any environmental, health or other governmental law or ordinance affecting the Property, or any written notice which remains outstanding from any insurance company or inspection or rating bureau setting forth any requirements as a condition to the continuation to any insurance coverage on or with respect to the Property or the continuation thereof at the existing premium rates; (b) the Property is not in violation of any exceptions on the Commitment or other documents affecting the Property; (c) Seller has no actual knowledge of any pending, threatened or contemplated claims, litigation, condemnation, administrative actions or other legal proceedings, which might affect the Property or their value; (d) there are no other agreements binding upon Seller or affecting the Property as of the date hereof which would be binding upon Buyer after the Closing.

7. CONTINGENCIES

(a) Seller and Buyer agree to the following contingencies:

- (i) Buyer will retain an environmental engineer to test the Property. The engineer's report must certify that the Property complies with all State and Federal environmental standards and requirements. If the engineer's report obtained by Buyer provides that remediation or cleanup is necessary, or such environmental testing results are in any other way unacceptable to Buyer, including but not limited to the cost or scope of any recommended cleanup or remediation activities, at Buyer's sole discretion, Buyer may terminate this Agreement.

- (ii) Prior to Closing, Buyer must be able to secure all required licenses and permits to construct its required improvements.
 - (iii) Prior to Closing, Title Work Must Be Completed.
 - (iv) Complete any and all inspections as required by BUYER
 - (v) Prior to Closing, Buyer must be able to obtain a Certificate of Need granted from the State of Tennessee with an anticipated hearing date of Wednesday, October 28, 2020.
 - (vi) Prior to Closing, Buyer must be able to successfully obtain any and all zoning requirements and approvals necessary to establish a facility authorized pursuant to the Certificate of Need being sought.
- (b) Except for 7.(a)(vi), all contingencies listed above must be either satisfied or waived in writing by Buyer within one hundred twenty (120) days following the Effective Date (the "Contingency Period"). If all contingencies are not satisfied or waived in writing within the Contingency Period, this Agreement shall be rendered null and void, the Deposit shall be promptly returned to Buyer upon notice from Buyer to Broker without any further action from Seller, and Buyer and Seller shall have no further obligations under this Agreement. Regarding 7.a(vi), Buyer shall have until November 20, 2020 to either satisfy or waive the Certificate of Need contingency.
- (c) During the 120 day Contingency Period, Buyer shall have the right to inspect the condition of the Property, including, but not limited to, physical, soil and environmental conditions on, under or about the Property, and the zoning, performance and any other aspect of the Property and to notify Seller in writing that Buyer approves same. If Buyer fails, for any reason or no reason whatsoever, to approve the condition of the Property before 5:00 p.m. EST on the one hundred and twentieth day following the Effective Date, ("Inspection Completion Date") this Agreement shall be rendered null and void, the Deposit shall be promptly returned to Buyer upon written notice signed by Buyer to Broker without any further action from Seller, and Buyer and Seller shall have no further obligations hereunder except for Seller's indemnity and hold harmless obligations under paragraph 15 of this Agreement.
- (d) Subject to the restrictive covenants and easements of record, Seller hereby grants to Buyer the right to enter the Property for the purpose of conducting site investigations; provided, however, that Buyer agrees that neither Buyer, nor its agents, shall perform any type of invasive testing, drilling or other type of investigation that would disturb the Property from its current condition, unless approved in advance by Seller. Buyer shall (i) use reasonable and commercial efforts not to interfere with the operations of the adjacent properties or any tenant thereof during business hours; (ii) promptly restore and repair any damage to the Property or any adjacent property caused by such actions; (iii) indemnify, defend and save the Seller harmless from any and all claims and/or liabilities which the Seller may suffer or be subject to by reason of or in any manner relating to any act or omission of Buyer and its representatives during such entry and such activities, including without limitation, any claims by tenants of the adjacent properties; (iv) prior to entry onto the Property, furnish Seller with evidence of general liability and property damage insurance maintained by Buyer with single occurrence coverage of at least \$1,000,000.00 (One Million Dollars) (and aggregate coverage of \$2,000,000.00 (Two Million Dollars)) and naming the Seller as an additional insured; and (v) not conduct any environmental investigations or testing other than a standard "Phase I" investigation without the consent of the Seller. Notwithstanding anything to the contrary contained herein, Buyer's obligations under this paragraph 7.(d) shall survive the Closing and the purchase and sale of the Property as contemplated herein or the termination of this Contract as provided for herein.

Upon Seller's request, Buyer shall promptly provide Seller with a copy of any reports or studies, which Buyer has performed on or about the Property under this paragraph.

8. **COVENANTS OF SELLER:** Seller hereby covenants with Buyer as follows from the Effective Date hereof until the Closing or earlier termination of this Agreement: (a) Seller (1) is a Tennessee Limited Partnership that is seized with and has all right, proper and valid title to the property being sold, (2) has full power and authority to sign and perform under this Agreement, and (3) has obtained any and all necessary consents and approvals of all requisite parties to sign and perform under this Agreement, if any; (b) Seller shall deliver the Property at Closing in the same condition and repair as it is in on the Effective Date, reasonable wear and tear excepted; (d) Seller shall not sell, transfer, convey or encumber, or cause to be sold, transferred, conveyed or encumbered, the Property, or any part thereof or interest therein, enter into any agreement with any third party or governmental authority with respect to the Property, or otherwise perform or permit any act or deed which shall diminish, encumber or affect Seller's rights in and to the Property or prevent Seller from performing fully its obligations hereunder; (e) unless Buyer otherwise directs Seller in writing, Seller shall terminate all agreements or contracts it has with respect to the operation, security and maintenance of the Property, other than any agreement or contract that is terminable as of Closing; and (f) during the term of this Agreement, Seller agrees to not create or permit to exist any voluntary lien against the Property (except for any such lien that can and will be removed as of the Closing by the payment of money as contemplated in Section 5).
9. **RISK OF LOSS:** Risk of loss to the Property shall be borne by Seller until title has been conveyed to Buyer.
 - (a) [INTENTIONALLY OMITTED].
 - (b) In the event that all or any portion of the Property is subject to a condemnation or eminent domain proceeding between the Effective Date and the Closing Date, Buyer shall have the option of (i) terminating this Agreement, in which event the entire Deposit shall be promptly returned to Buyer upon notice from Buyer to Escrow Agent without any further action from Seller, and Buyer and Seller (except for Buyer's obligations under paragraph 7.(d)) shall have no further obligations hereunder, or (ii) proceeding with the Closing and having the sole right to negotiate and receive the compensation to be awarded in connection with the taking of the portion of the Property subject to the proceeding. In the event Buyer fails to notify Seller of its election of an option within 20 days of receiving notice of such proceeding, it shall be deemed to have elected to terminate this Agreement.
10. **POSSESSION:** Possession of the Property shall be delivered to Buyer on the Closing Date.
11. **LIQUIDATED DAMAGES/NON-REFUNDABLE DEPOSIT:** Upon the satisfaction of Buyer's contingencies set forth in this Agreement, the Deposit shall become non-refundable in the event of a default by Buyer provided that Seller is not in default. Buyer and Seller agree that it would be impracticable or extremely difficult to fix actual damages in the event of a default by Buyer, that the amount of the Deposit is the parties' reasonable estimate of Seller's damages in the event of Buyer's default, and that upon Buyer's default in its purchase obligations under this Agreement not caused by any breach by Seller, Seller shall be released from its obligation to sell the Property and shall retain the Deposit as liquidated damages, which shall be Seller's sole and exclusive remedy in law or at equity for Buyer's default. This liquidated damages provision shall not apply to Buyer's obligations under paragraph 7.(d).
12. **ASSIGNMENT:** This Purchase and Sale Agreement may be assigned by Buyer without permission from Seller upon 10 day's prior written notice to Seller at any time during the Contingency Period or prior to Closing provided Buyer receives no more than \$10.00 in nominal consideration for the assignment from the assignee.
13. [INTENTIONALLY OMITTED]

14. [INTENTIONALLY OMITTED]

15. [INTENTIONALLY OMITTED]

16. **BROKER:** Seller shall pay all real estate brokerage commissions due upon sale of this property to Seller's Broker, Holrob Properties.

17. **SUCCESSORS AND ASSIGNS:** This Agreement and any addenda hereto shall be binding upon and inure to the benefit of the heirs, successors, agents, representatives and permitted assigns of the parties hereto.

18. **ATTORNEYS' FEES:** In any litigation or other legal proceeding which may arise between any of the parties hereto, the prevailing party shall be entitled to collect from the other party all fees, costs, and expenses incurred in such proceeding, including reasonable attorney's fees, including, all fees, costs, and expenses of appeals.

19. **TIME:** Time is of the essence of this Agreement.

20. **NOTICES:** All notices required or permitted hereunder shall be given to the parties in writing at their respective addresses as set forth below. Any and all notices required or agreed to be given pursuant hereto shall be in writing and shall be deemed to have been properly given, served and received (a) if delivered by messenger, when delivered, (b) if mailed, on the third (3rd) Business Day after deposit in the United States mail certified, postage prepaid, return receipt requested, or (c) if delivered by reputable overnight express courier, freight prepaid, the next Business Day after delivery to such courier.

21. **FOREIGN INVESTOR DISCLOSURE:** Seller and Buyer agree to execute and deliver any instrument, affidavit or statement, and to perform any act reasonably necessary to carry out the provisions of the Foreign Investment in Real Property Tax Act and regulations promulgated thereunder. Seller represents that Seller is not a foreign person as defined in Section 1445 of the Internal Revenue Code and withholding of any portion of the purchase price is not required.

22. **ENTIRE AGREEMENT:** Any addendum, exhibit, schedule or rider attached hereto and either signed or initialed by the parties shall be deemed a part hereof. This Agreement, including addenda, exhibits, schedules or riders, if any, expresses the entire agreement of the parties and supersedes any and all previous agreements between the parties with regard to the Property. There are no other understandings, oral or written, which in any way alter or enlarge its terms, and there are no warranties or representations of any nature whatsoever, either express or implied, except as set forth herein. Any future modification of this Agreement will be effective only if it is in writing and signed by the party to be charged.

23. **ACCEPTANCE AND EFFECTIVE DATE:** Buyer's signature hereon constitutes an offer to Seller to purchase the Property on the terms and conditions set forth herein. Unless acceptance hereof is made by Seller's execution of this Agreement and delivery of a fully executed copy to Buyer, either in person or by mail or email at the address shown below by 5 pm on Monday, June 29, 2020, this offer shall be null and void, the Deposit, if any, shall be returned to Buyer upon notice from Buyer to Escrow Agent without any further action from Seller, and neither Seller nor Buyer shall have any further rights or obligations hereunder. Delivery of this Agreement shall be effective in the same manner that notices are deemed delivered. The "Effective Date" of this Agreement shall be the later of (a) the date on which Seller executes this Agreement and delivers this Agreement to Buyer, or (b) the date of written acceptance (by either Buyer or Seller) of the final counter-offer submitted by the other party.

24. **GOVERNING LAW:** This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee in the Chancery Court within Sullivan County.

- 25. **COUNTERPARTS/FACSIMILE/E-MAILED SIGNATURES:** This Agreement may be executed in two or more counterparts each of which shall be deemed an original, but all of which shall constitute one and the same agreement. Seller and Buyer agree that the delivery of an executed copy of this Agreement by facsimile or by attachment to an e-mail shall be legal and binding and shall have the same full force and effect as if an original executed copy of this Agreement had been delivered.
- 26. **DATE FOR PERFORMANCE:** Should the date upon which any act required to be performed by this Agreement fall upon a day that is not a Business Day, the time for performance shall be extended to the next Business Day. A "Business Day" is any day, other than Saturday or Sunday, on which federally chartered banks in the state in which the Property is located are permitted to be open and accepting deposits. Notwithstanding the foregoing, this provision shall not apply to the date and time required under the Acceptance and Effective Date of this Agreement as set forth in Section 23 above.
- 27. **FURTHER ASSURANCES:** The parties shall execute such additional documents and do such other acts as may be reasonably required to carry out the intent of this Agreement. Without limitation, Seller shall make available certifications and such other documents as may be required to evidence Seller's power and authority to carry out this Agreement.
- 28. **SEVERABILITY:** If any term or provision of this Agreement shall be held to be illegal, invalid, unenforceable or inoperative as a matter of law, the remaining terms and provisions of this Agreement shall not be affected thereby, but each such remaining term and provision shall be valid and shall remain in full force and effect.
- 29. **JURY WAIVER: BUYER AND SELLER DO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THEIR RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, OR UNDER OR IN CONNECTION WITH THIS AGREEMENT, THE DOCUMENTS DELIVERED BY BUYER AT CLOSING OR SELLER AT CLOSING, OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ANY ACTIONS OF EITHER PARTY ARISING OUT OF OR RELATED IN ANY MANNER WITH THIS AGREEMENT OR THE PROPERTY (INCLUDING WITHOUT LIMITATION, ANY ACTION TO RESCIND OR CANCEL THIS AGREEMENT AND ANY CLAIMS OR DEFENSES ASSERTING THAT THIS AGREEMENT WAS FRAUDULENTLY INDUCED OR IS OTHERWISE VOID OR VOIDABLE). THIS WAIVER IS A MATERIAL INDUCEMENT FOR BUYER TO ENTER INTO AND ACCEPT THIS AGREEMENT AND THE DOCUMENTS DELIVERED BY SELLER AT CLOSING AND SHALL SURVIVE THE CLOSING OR TERMINATION OF THIS AGREEMENT.**

[SIGNATURE PAGES FOLLOW]

The undersigned Buyer hereby offers and agrees to purchase the above described Property for the price and upon the terms and conditions herein stated.

BUYER:

ENSLEY, BAKER & SHADE, PLLC, or its Assigns
ADDRESS: 801 F Sunset Drive, Suite 2
Johnson City, Tennessee 37604

By: 
Member

E-MAIL: pbaker@ensleybakersshade.com
TELEPHONE: (423) 631-0550
FAX: (423) 631-0555

ATTORNEY: Philip R. Baker
Ensley, Baker & Shade, PLLC

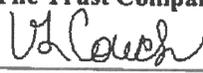
ADDRESS: 801F Sunset Drive, Suite 2
Johnson City, TN 37604
E-MAIL: pbaker@ensleybakersshade.com
TELEPHONE: (423) 631-0550
FAX: (423) 631-0555

SELLER'S ACCEPTANCE

The undersigned Seller accepts the foregoing offer and agrees to sell the Property to Buyer for the price and on the terms and conditions stated herein. Seller acknowledges receipt of an executed copy of this Agreement.

SELLER: Brooks Family Limited Partnership, #1

By: **The Andrew Marshall Brooks Revocable**
Living Trust U/A Dated 6-30-1993, General Partner

By: **The Trust Company of Tennessee, Trustee**

Legal Counsel

By:

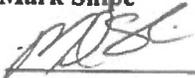
DATE: June __, 2020

BROKER'S ACCEPTANCE

The Seller's Broker accepts the foregoing offer and agrees to hold the Deposit in escrow on the terms and conditions stated herein. The Broker acknowledges receipt of an executed copy of this Agreement.

ESCROW AGENT:

HOLROB PROPERTIES
c/o Mark Shipe

By:  _____

ADDRESS: 7741 Northshore Drive, Suite 103
Knoxville, TN 37919
E-MAIL: mshipe@holrob.com
TELEPHONE: (865) 342-8716
FAX: (865) 212-0181

DATE: June 26th, 2020

EXHIBIT A

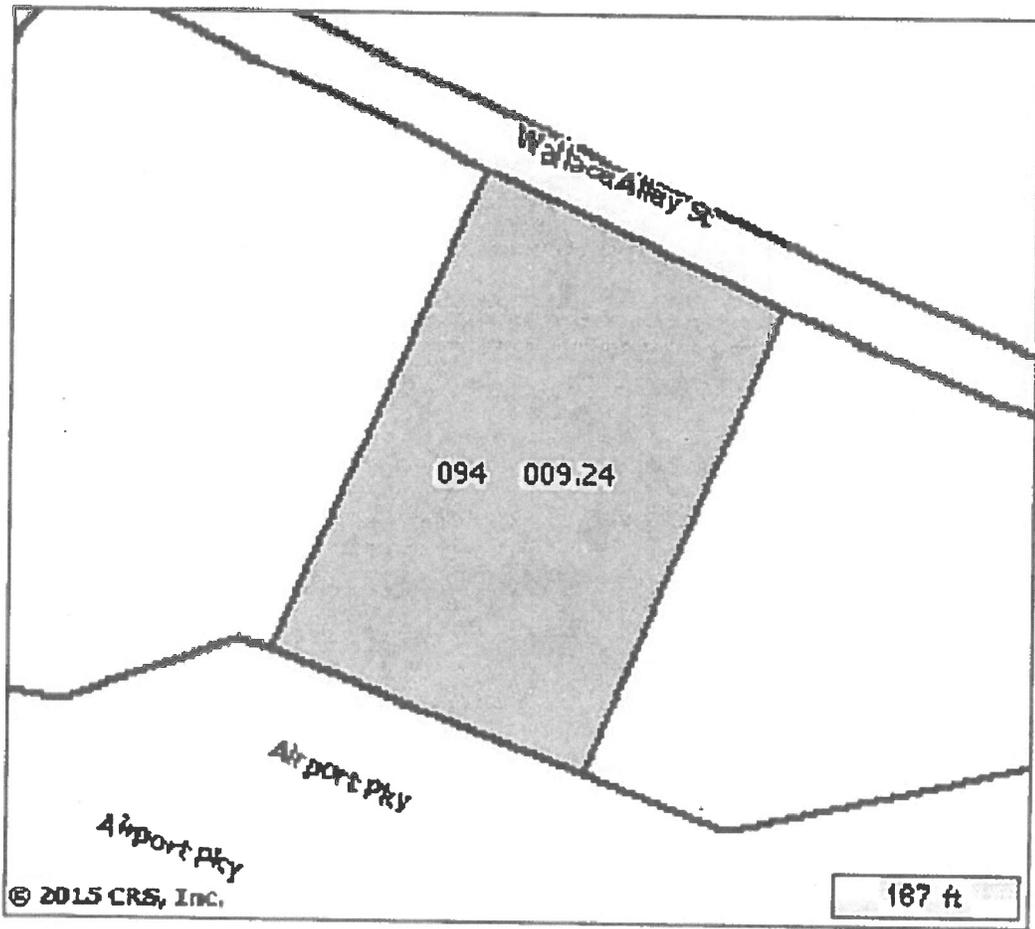
The 2.9 +/- acres identified below and on the attached as SITE, which is more particularly described as follows:

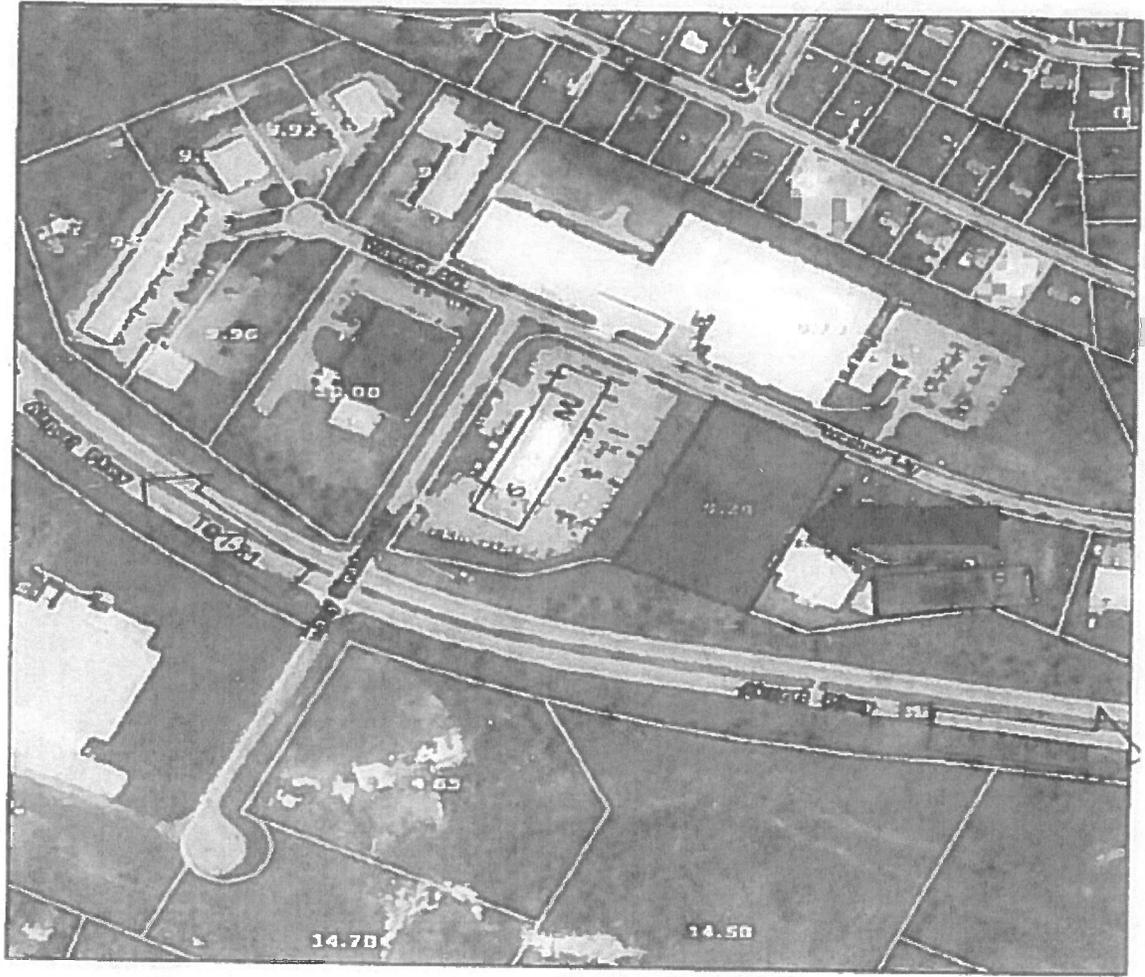
SITUATED and being in the City of Kingsport, 18th Civil District of Sullivan County, Tennessee and more particularly described as follows:

BEGINNING at a steel T-bar located at the intersection of the easterly right-of-way line of Harry Steadman Drive with the northerly right-of-way line of State Route 357 (Airport Parkway). Thence continuing with the northerly right-of-way line of State Route 357, S. 75° 03' 11" E., 262.00 feet to a steel T-bar; N. 71° 14' 24" E., 161.69 feet to a steel T-bar and S. 66° 09' 05" E., 27.46 feet to an iron pin and cap marked "HECI" on the divisional line of Lot 4 and Lot 4B, Phase 1 of the Northeast Tennessee Business Park, the point of BEGINNING. Thence with the divisional line of Lots 4 and 4B, N. 26° 16' 10" E., 446.06 feet to an iron pin and cap marked "HECI" in the southern right-of-way line of Wallace Alley Street. Thence with the southerly right-of-way line of Wallace Alley Street, S. 63° 27' 58" E., 287.55 feet to a steel T-bar corner to Lot 4A. Thence with the divisional line of Lot 4A, S. 26° 16' 10" W., 432.57 feet to a steel T-bar in the northerly right-of-way line of State Route 357. Thence with the northerly right-of-way line of State Route 357, N. 66° 09' 05" W., 287.80 feet to the Point of BEGINNING, containing 2.90 acres, more or less. Being all of Lot 4B, Phase 1, Northeast Tennessee Business Park, as shown on plat of Lot 4 Subdivision recorded in Plat Book 52, Page 191 in the Register's Office for Sullivan County, Tennessee.

AND BEING the same property conveyed to Brooks Family Limited Partnership #1 from The Industrial Development Board of the City of Kingsport, Tennessee by deed dated June 19, 2012 and of record in Book 3045, Page 323, in the Register's Office for Sullivan County, Tennessee.

Tax ID for Tax Assessor's Purposes Only: Map 094, Parcel 009.24





**THIS INSTRUMENT PREPARED BY:
Wilson Worley Moore Gamble & Stout, P.C.
2021 Meadowview Lane, 2nd Floor
P.O. Box 88
Kingsport, Tennessee 37662**

THIS DEED, made and entered into this 19th day of June, 2012, by and between THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF KINGSPORT, TENNESSEE, a Tennessee public not-for-profit corporation, hereinafter known as the Party of the First Part, and BROOKS FAMILY LIMITED PARTNERSHIP #1, hereinafter known as the Party of the Second Part.

WITNESSETH

That for and in consideration of the sum of One Dollar (\$1.00) cash in hand paid and other good and valuable consideration, the receipt of all of which is hereby acknowledged, the Party of the First Part has this day bargained and sold and by these presents does hereby grant, transfer and convey unto the Party of the Second Part, its successors and assigns, with covenants of general warranty of title, the following-described property located in the City of Kingsport, 18th Civil District of Sullivan County, Tennessee (the "Property"), and being more particularly described as follows:

BEGINNING at a steel T-bar located at the intersection of the easterly right-of-way line of Harry Steadman Drive with the northerly right-of-way line of State Route 357 (Airport Parkway). Thence continuing with the northerly right-of-way line of State Route 357, S. 75° 03' 11" E., 262.00 feet to a steel T-bar; N. 71° 14' 24" E., 161.69 feet to a steel T-bar and S. 66° 09' 05" E., 27.46 feet to an iron pin and cap marked "HECI" on the divisional line of Lot 4 and Lot 4B, Phase 1 of the Northeast Tennessee Business Park, the point of BEGINNING. Thence with the divisional line of Lots 4 and 4B, N. 26° 16' 10" E., 446.06 feet to an iron pin and cap marked "HECI" in the southerly right-of-way line of Wallace Alley Street. Thence with the southerly right-of-way line of Wallace Alley Street, S. 63° 27' 58" E., 287.55 feet to a steel T-bar corner to Lot 4A. Thence with the divisional line of Lot 4A, S. 26° 16' 10" W., 432.57 feet to a steel T-bar in the northerly right-of-way line of State Route 357. Thence with the northerly right-of-way line of State Route 357, N. 66° 09' 05" W., 287.80 feet to the Point of BEGINNING, containing 2.90 acres, more or less, and being all of Lot 4B, Phase 1, Northeast Tennessee Business Park, as shown on plat of Lot 4 Subdivision recorded in Plat Book 52, Page 191 in the Register's Office for Sullivan County, Tennessee.

TO HAVE AND TO HOLD unto the Party of the Second Part, its successors and assigns, in fee simple forever.

The Party of the First Part covenants with the Party of the Second Part, its successors and assigns, that it is lawfully seized and possessed of the Property; that it has a good and lawful right

to convey the same as herein conveyed; that the Property is free, clear and unencumbered; and that it will forever warrant and defend the title to the Property against the good and lawful claims of all persons whomsoever.

This conveyance is made expressly subject to all easements, covenants, conditions, restrictions and reservations contained in former deeds and other instruments of record applicable to the Property, insofar as they are presently binding thereon, and to any easements apparent from an inspection of the Property including, without limitation, the Declaration of Protective Covenants for Northeast Tennessee Business Park of record in the Register's Office in Deed Book 979-C at page 258 and all easements and other matters shown on map of Phase I of Northeast Tennessee Business Park of record in the Register's Office in Plat Book 38 at page 74 through 77, as revised by revised map of Lot 4 Subdivision Northeast Tennessee Business Park of record in the Register's Office in Plat Book 52 at page 191.

WITNESS the signature of the Party of the First Part by its duly authorized officers this day and year first above written.

THE INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF KINGSPORT, TENNESSEE

By: Robert Feathers
Robert Feathers, Chairman

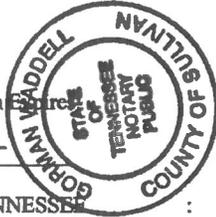
ATTEST:

D. Lynn Johnson
Secretary

STATE OF TENNESSEE :
:ss.
COUNTY OF SULLIVAN :

Personally appeared before me, the undersigned, a Notary Public in and for the aforesaid state and county, Robert Feathers, with whom I am personally acquainted and who, upon oath, acknowledged himself to be the Chairman of The Industrial Development Board of the City of Kingsport, the within-named bargainer, a corporation, and that he as such Chairman, being authorized to do so, executed the foregoing instrument for the purposes contained therein by signing the name of the corporation by himself as Chairman.

WITNESS my hand and official seal at office this 24th day of July, 2012.



Gorman Waddell
Notary Public

My Commission Expires:

11/19/14

STATE OF TENNESSEE :
: ss.
COUNTY OF SULLIVAN :

I, or we, hereby swear or affirm that the actual consideration for this transfer or value of the property transferred, whichever is greater, is \$168,000.00, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

Andrew Brooks
Affiant

SWORN TO AND SUBSCRIBED before me, this 6th day of August, 2012.

Tina D. Taylor
Notary Public

My commission expires:

8/17/2013



Name and Address of Property Owner:

Brooks Family Limited Partnership #1, c/o Mr. Andrew Brooks, P.O. Box 818, Kingsport, TN 37662

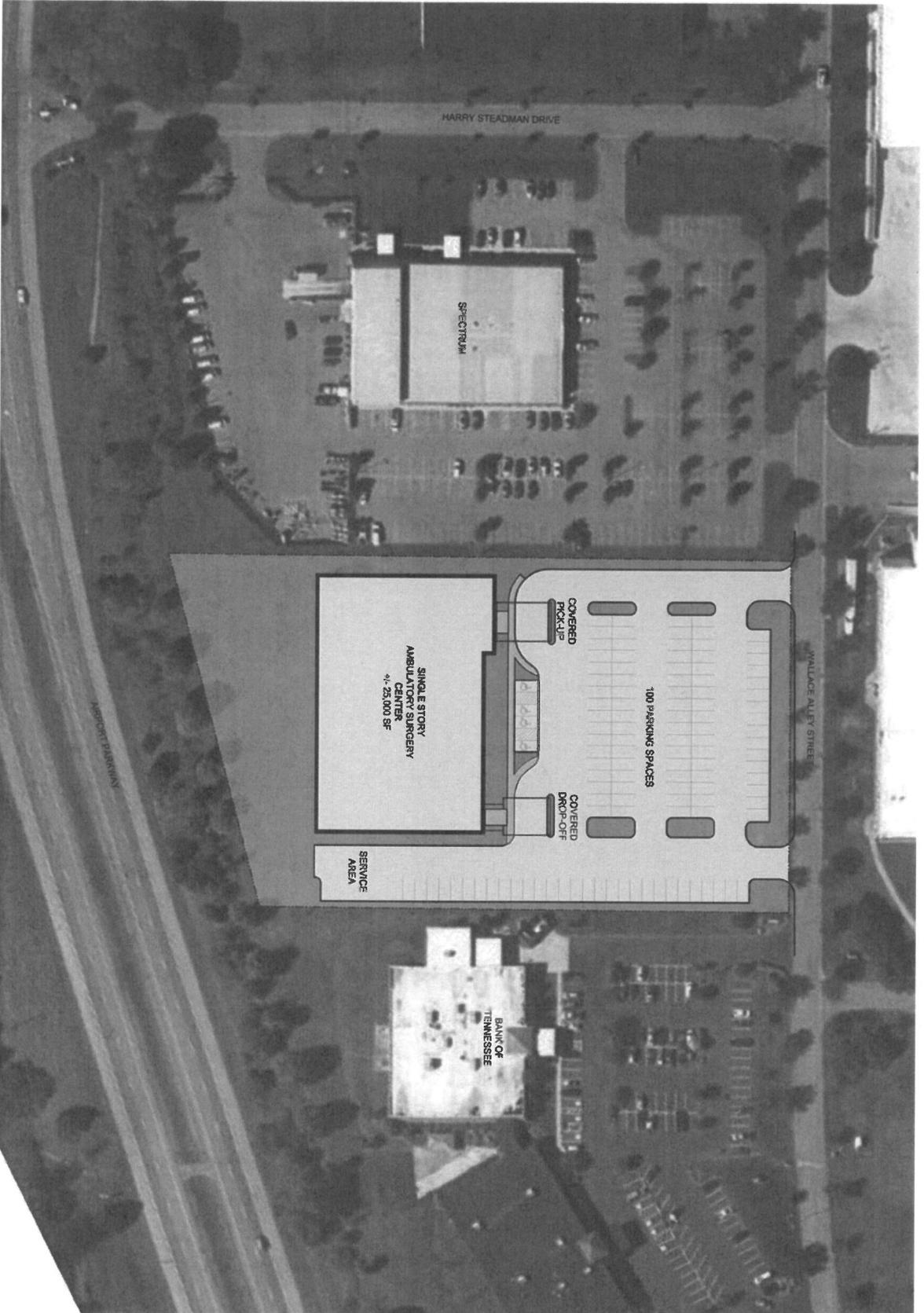
Name and Address of the Person or Entity Responsible for the Payment of the Real Property Tax:

Same as property owner

Property Assessor's Map No. 094, Parcel No. 009.24

W:\DCallahan\1 DC--WSLARE\1Deed\KIDB-BrooksFamilyDeed.wpd

BK/PG: 3045/323-325
12015171
3 PGS - AL - DEED
RHONDA BATCH: 24181
08/08/2012 - 03:48:57 PM
VALUE 168000.00
MORTGAGE TAX 0.00
TRANSFER TAX 621.60
RECORDING FEE 15.00
DP FEE 2.00
REGISTER'S FEE 1.00
TOTAL AMOUNT 639.60
STATE OF TENNESSEE, SULLIVAN COUNTY
BART LONG
REGISTER OF DEEDS



+/- 2.6 ACRE SITE

hcp architects

BBLMedical Facilities

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CONCEPT SITE PLAN
 WATAUGA SURGICAL PARTNERS
 AMBULATORY SURGERY CENTER

NO SCALE
 6-4-2020

Facility Name	County	Single or Multi-Specialty	Operating Rooms	Procedure Rooms	Total Rooms	Operating room cases	Cases per OR*	Procedure room cases	Cases per PR	Total cases
Sullivan County 2019										
Bristol Surgery Center	Sullivan	Multi	4	1	5	1143	286	0	N/A	1143
Kingsport Endoscopy Corporation	Sullivan	Single	0	3	3	0	N/A	6557	2186	6557
Sullivan Digestive Center	Sullivan	Single	0	2	2	0	N/A	5208	2604	5208
Kingsport Ambulatory Surgery Center	Sullivan	Multi	4	1	5	1336	334	742	2078	2078
The Endoscopy Center of Bristol	Sullivan	Single	0	3	3	0	N/A	6028	2009	6028
The Center for Digestive Wellness	Sullivan	Single	0	2	2	0	N/A	3519	1760	3519
Holston Valley Surgery Center	Kingsport	Multi	4	3	7	3190	798	4144	1381	7334
Mountain Empire Cataract and Eye Surgery Center	Sullivan	Single	2	1	3	4230	2115	1674	1674	5904
The Regional Eye Surgery Center	Sullivan	Single	2	1	3	2752	1376	1326	1326	4078
Renaissance Surgery Center	Sullivan	Multi	2	1	3	N/A	N/A	11	11	11
Meadowview Ambulatory Surgery Center	Sullivan	Multi	3	0	3	N/A	N/A	N/A	N/A	N/A
Sub-Total/Avg.			21	18	39	12651	791	29209	1623	41860
Washington County - 2019										
Endoscopy Center of Northeast Tennessee	Washington	Single	0	2	2	0	N/A	6708	3354	6708
East Tennessee Ambulatory Surgery Center	Washington	Multi	4	1	5	1469	367	934	934	2403
Mountain Empire Surgery Center	Washington	Multi	4	2	6	5024	1256	N/A	N/A	5024
Johnson City Eye Surgery Center	Washington	Single	2	1	3	5850	2925	798	798	6648
PMA Surgery Center	Washington	Single	0	2	2	0	N/A	2**	N/A	2
Reeves Eye Surgery Center, LLC	Washington	Multi	1	1	2	1255	1255	386	386	1641
Sub-Total/Avg.			11	9	20	13598	1236	8826	981	22426
SERVICE AREA TOTAL 2019			32	27	59	26249	972	38035	1654	64286
Sullivan County - 2018										
Bristol Surgery Center	Sullivan	Multi	4	1	5	2432	608	75	75	2507
Kingsport Endoscopy Corporation	Sullivan	Single	0	3	3	0	N/A	7272	2424	7272
Sullivan Digestive Center	Sullivan	Single	0	2	2	0	N/A	5666	2833	5666
Kingsport Ambulatory Surgery Center	Sullivan	Multi	4	1	5	1539	385	949	949	2488
The Endoscopy Center of Bristol	Sullivan	Single	0	3	3	0	N/A	7416	2472	7416
Sapling Grove ASC	Sullivan	Multi	2	1	3	1350	675	255	255	1605
The Center for Digestive Wellness	Sullivan	Single	0	2	2	0	N/A	2979	1490	2979
Holston Valley Surgery Center	Kingsport	Multi	4	3	7	3076	769	3781	1260	6857
Mountain Empire Cataract and Eye Surgery Center	Sullivan	Single	2	1	3	4170	2085	1574	1574	5744
The Regional Eye Surgery Center	Sullivan	Single	2	1	3	2857	1429	983	983	3840
Renaissance Surgery Center	Sullivan	Multi	2	1	3	163	82	685	685	848
Sub-Total/Avg.			20	19	39	15587	779	31635	1665	47222

Facility Name	County	Single or Multi-specialty	Operating Rooms	Procedure Rooms	Total Rooms	Operating room cases	Cases per OR*	Procedure room cases	Cases per PR	Total cases
Washington County - 2018										
Endoscopy Center of Northeast Tennessee	Washington	Single	0	2	2	0	N/A	6046	3023	6046
East Tennessee Ambulatory Surgery Center	Washington	Multi	4	1	5	1872	468	1038	1038	2910
Mountain Empire Surgery Center	Washington	Multi	4	2	6	5484	1371	0	N/A	5484
Johnson City Eye Surgery Center	Washington	Single	2	1	3	5145	2573	626	626	5771
PMA Surgery Center	Washington	Single	0	2	2	0	N/A	3716	1858	3716
Reeves Eye Surgery Center, LLC	Washington	Multi	1	1	2	1176	1176	271	271	1447
Sub-Total/Avg.			11	9	20	13677	1243	11697	1300	25374
SERVICE AREA TOTAL 2018			31	28	59	29264	944	43332	1667	72596
Sullivan County - 2017										
Bristol Surgery Center	Sullivan	Multi	4	1	5	1862	466	541	541	2403
Kingsport Endoscopy Corporation	Sullivan	Single	0	3	3	0	N/A	6986	2329	6986
Sullivan Digestive Center	Sullivan	Single	0	2	2	0	N/A	6295	3148	6295
Kingsport Ambulatory Surgery Center	Sullivan	Multi	4	1	5	1947	487	901	901	2848
The Endoscopy Center of Bristol	Sullivan	Single	0	3	3	0	N/A	7446	2482	7446
Sapling Grove ASC	Sullivan	Multi	2	1	3	1367	684	285	285	1652
The Center for Digestive Wellness	Sullivan	Single	0	2	2	0	N/A	3368	1684	3368
Holston Valley Surgery Center	Sullivan	Multi	4	3	7	3127	782	3931	1310	7058
Mountain Empire Cataract and Eye Surgery Center	Sullivan	Single	2	1	3	4073	2037	1516	1516	5589
The Regional Eye Surgery Center	Sullivan	Single	2	1	3	2874	1437	691	691	3565
Renaissance Surgery Center	Sullivan	Multi	2	1	3	190	95	1160	1160	1350
Sub-Total/Avg.			20	19	39	15440	772	33120	1743	48560
Washington County - 2017										
Endoscopy Center of Northeast Tennessee	Washington	Single	0	2	2	0	N/A	5464	2732	5464
East Tennessee Ambulatory Surgery Center	Washington	Multi	4	2	6	1849	462	1300	650	3149
Mountain Empire Surgery Center	Washington	Multi	4	2	6	5090	1273	0	N/A	5090
Johnson City Eye Surgery Center	Washington	Single	2	1	3	4917	2459	617	617	5534
PMA Surgery Center	Washington	Single	0	2	2	0	N/A	3411	1706	3411
Reeves Eye Surgery Center, LLC	Washington	Multi	1	1	2	1111	1111	232	232	1343
Sub-Total/Avg.			11	10	21	12967	1179	11024	1102	23991
SERVICE AREA TOTAL 2017			31	29	60	28407	916	44144	1635	72551

Source: Joint Annual Reports

* In average cases per room calculations if no volume is reported for a facility, the rooms of that facility are likewise not included in the calculation.

** PMA reported only 2 cases in 2019, but it reported 2,048 unduplicated patients. Due to this erroneous reporting, PMA was excluded from the calculations.

*** This excludes the cases and rooms for Regional Eye Center and Renaissance, due to utilization not being reported.

July 9, 2020

Kim Wishon Marden, MBA, FACMPE
Chief Executive Officer
Watauga Orthopaedics, PLC
2410 Susannah Street
Johnson City, TN 37601

RE: Watauga Surgical Partners
New Ambulatory Surgical Treatment Center
Wallace Alley Street, Kingsport, TN

Dear Kim,

Confirming our recent discussions and correspondence regarding Watauga Surgical Partners proposed Ambulatory Surgical Treatment Center, to be located on Wallace Alley Street, between the Spectrum building and the Bank of Tennessee Operations Center, Kingsport, TN, our Design-Build price for the design and construction of the new facility is \$10,589,668 (Ten Million Five Hundred Eighty-Nine Thousand Six Hundred Sixty-Eight Dollars). Based on our professional experience in the design and construction of Ambulatory Surgery Centers, our cost as presented is appropriate for the scope of this project. We currently have thirty (30) Operating Rooms in various phases of Design, Development, and Construction.

This project will be designed and constructed to meet all the following applicable codes and regulations:

- Tennessee Department of Health requirements;
- Blountville (CDP), Sullivan County, TN codes and regulations;
- 2018 FGI-Guidelines for Design and Construction of Health Care Facilities;
- International Building Code (IBC), 2012 edition;
- The International Fuel Gas Code (IFGC), 2012 edition;
- The International Mechanical Code (IMC), 2012 edition;
- The International Plumbing Code (IPC), 2012 edition;
- The International Fire Code (IFC); 2012 edition;
- The International Energy Conservation Code (IECC), 2012 edition;
- NFPA 101 Life Safety Code, 2012 edition;
- The National Electric Code (NEC), 2017 edition;
- ADA Standards for Accessible Design, current applicable edition; and
- Centers for Medicare and Medicaid Services (CMS), current applicable edition.

Please contact me at your convenience with any questions/comments on the above.

Respectfully,



Paul Trigger
Executive Vice President/Principal
BBL Medical Facilities
518-461-2092



Arch Jones
Vice President
Medical Private Banking

July 9, 2020

Watauga Surgical Partners, PLLC
2410 Susannah Street
Johnson City, Tennessee 37601

Marc A. Aiken, M.D.
D. Christopher Carver, M.D.
Robert DeTroye, M.D.
Richard W. Duncan, M.D.
Tyler M. Duncan, D.O.
Jason A. Fogleman, M.D.
Todd A. Fowler, M.D.

Jeffery J. France, M.D.
Thomas W. Gill, Jr., M.D.
Joseph R. Hurst, D.O.
Timothy D. Jenkins, M.D.
Kent J. Lord, M.D.
Scott R. MacDonald, D.O.

Mark T. McQuain, M.D.
Karen J. McRae, M.D.
Eric D. Parks, M.D.
Dustin M. Price, M.D.
Gregory L. Stewart, M.D.
J. Michael Wells, M.D.

To Whom It May Concern:

First Horizon Bank (the "Bank") has had recent discussions with certain individuals related to the parties above. These discussions have been regarding financing mechanisms for a proposed ambulatory surgery center in Blountville, Tennessee (the "Project"). This initial contact has been favorable. The Bank has enjoyed a long-term, satisfactory relationship with many of the parties above and their affiliated entities and interests. The Bank deems the parties above creditworthy regarding the following financing mechanisms related to the Project:

- **Loan A—\$11,901,668.00, 10 Years, 3.50% Indicative Fixed Rate**
- **Loan B—\$4,500,000.00, 7 Years, 3.40% Indicative Fixed Rate**
- **Loan C—\$1,200,000.00, 1 Year, 4.25% Indicative Variable Rate**

Final approval of these financing mechanisms is subject to the Bank's satisfactory analysis of the Project, including its income and cash flow projections and other credit metrics, to be determined at the sole discretion of the Bank.

I would be happy to answer any additional questions regarding this letter. Please feel free to contact me at 423-461-1786 or aciones@firsthorizon.com. Thank you for allowing the Bank an opportunity to provide financing mechanisms for the Project.

Sincerely,

Arch Jones
Vice President

First Horizon Bank
2112 N Roan St, Fl 8
Johnson City, TN 37604
423-461-1786
www.firsthorizon.com

Attachment Section B,
Economic Feasibility, 2, A

Watuaga Orthopaedics, PLC
Balance Sheet (Cash Basis)
For the Year Ended December 31, 2019

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 2,143,117
Petty Cash	1,435
	2,144,552
OTHER ASSETS	
Notes Receivable	434,375
Deposits	4,304
Other Assets	201,486
	640,165
PROPERTY AND EQUIPMENT	
Medical Equipment	1,991,538
Furniture & Equipment	90,620
Computer Equipment	270,268
Leasehold Improvements	408,914
Less: Accumulated Depreciation	(2,528,939)
	232,401
TOTAL ASSETS	
	\$ 3,017,118
LIABILITIES AND MEMBERS' EQUITY	
CURRENT LIABILITIES	
Accrued Retirement Liability	\$ 700,000
Accrued Other	59,958
	759,958
LONG-TERM LIABILITIES	
Other Long-term Liabilities	434,375
	434,375
TOTAL LIABILITIES	
	1,194,333
MEMBERS' EQUITY	
	1,822,785
TOTAL LIABILITIES AND MEMBERS' EQUITY	
	\$ 3,017,118

Watuaga Orthopaedics, PLC
Profit and Loss (Cash Basis)
For the Year Ended December 31, 2019

	<u>2019</u>
INCOME	
Net Collections	\$ 22,506,826
TOTAL INCOME	<u>22,506,826</u>
EXPENSES	
Staff Expense	7,555,217
Technology Expense	495,598
Medical Expense	2,321,253
Facility Expense	2,066,366
Administrative Expense	1,957,911
Physician Compensation	<u>8,379,383</u>
TOTAL EXPENSES	<u>22,775,728</u>
TOTAL OPERATING INCOME	<u>(268,902)</u>
OTHER INCOME	
Trauma and Teaching Income	652,530
Miscellaneous Income	<u>1,599</u>
TOTAL OTHER INCOME	<u>654,129</u>
NET INCOME	<u><u>\$ 385,227</u></u>

AFFIDAVIT

STATE OF Tennessee
COUNTY OF Washington

Marc A. Aiken, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. §68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Marc A. Aiken MD
SIGNATURE/TITLE

Sworn to and subscribed before me this 9th day of July, 2020 a Notary
(Month) (Year)

Public in and for the County/State of Washington/Tennessee.

Amy Bower
NOTARY PUBLIC

My commission expires 4/30, 2022.
(Month/Day) (Year)



SUPPLEMENTAL RESPONSES

CERTIFICATE OF NEED APPLICATION

FOR

WATAUGA ORTHOPEDICS SURGERY CENTER

The Establishment of an Orthopedic
Specialty Ambulatory Surgical
Treatment Center

Project No. CN2007-022

Sullivan County, Tennessee

July 23, 2020

Contact Person:

Jerry W. Taylor, Esq.
Thompson Burton, PLLC
6100 Tower Circle, Suite 200
Franklin, Tennessee 37067
615-716-2297

1. Section A, Overview

Is the applicant willing to accept a condition on the CON limiting the ASTC to orthopaedic cases?

Yes.

2. Section A, Executive Summary, 2) Ownership Structure

What is expected to be the final physician membership of the LLC and what will be each physician's percentage of ownership?

At present, it is expected that 17 surgeons affiliated with Watauga Orthopedics will be owners/investors. Whatever the final number is, each physician member will hold an equal percentage of ownership.

3. Section A, Project Details, Item 5. Management/Operating Entity

Please describe applicant's experience in operating ASTCs.

For the past 20 years, Watauga surgeons have been closely involved in ambulatory surgery center operations. Watauga surgeons continuously serve on the Board of Directors for both Mountain Empire Surgery Center and Holston Valley Ambulatory Surgery Center. Their Board responsibilities include quality assurance, operations, financial management and staff management.

In addition, the Watauga Orthopaedics' CEO is the past administrator of an Ambulatory Surgery Center and has extensive experience with AAAHC accreditation. She was also the former President of the Tennessee Ambulatory Surgery Center Association.

4. Section A, Project Details, Item 12 Square Footage and Cost Per Square Footage Chart

Please discuss the reason(s) construction cost are above the 3rd quartile for similar ASTC projects approved by HSDA from 2017-2019.

The construction cost per square foot for this project exceeds the 3rd quartile data provided on the HSDA website for several reasons.

First, the data provided on the HSDA website lists only Renovated Construction data and Total Construction data, with New Construction data indicating that ranges for new projects were not available due to insufficient sample size. Thus, the Total Construction data would be understated by being averaged with Renovated Construction data in the absence of New Construction data.

Second, per national non-residential construction inflation indices, construction costs for similar projects have risen by 18.08% from 2017 as of the application date in 2020 and are projected to have increased 25.76% from 2017 by the time this project is completed in 2022. All construction costs in the application are estimated based on that expected completion date.

Third, this orthopaedic-specific ASC is designed specifically to include the performance of total hip replacement and total joint replacement in an outpatient facility. These procedures inherently need more pre-op and post-op space for patient therapy and recovery. Previously-approved projects would not have been designed in this manner since these procedures were only recently approved for outpatient performance.

Construction cost of \$9,208,568 in the Project Cost Chart does not match the construction cost of \$8,882,346 in the Square Footage and Cost Per Square Footage Chart. Please clarify.

The construction cost on the Square Footage and Cost Per Square Foot Chart was incorrect. A revised Chart is attached following this response.

12. Square Footage and Cost Per Square Footage Chart							
Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
Entry Vestibule				400		400	400
Waiting 45 chairs				1,350		1,350	1,350
Toilet at waiting				56		56	56
Coffee area				48		48	48
Wheelchair storage				36		36	36
Reception 2 chk in				180		180	180
Consult/interview				120		120	120
Business office 2 people				225		225	225
Bus. Off. Mgr.				120		120	120
Office Mgr.				120		120	120
Admin. Staff toilet				56		56	56
Admin. Storage				64		64	64
Nurse Manager				120		120	120
Lounge 16 people				480		480	480
Womens' locker rm				480		480	480
Mens' locker rm				432		432	432
Class "C" Operating rms				3,600		3,600	3,600
Scrub areas				144		144	144
Stretcher Storage				126		126	126
Control area				80		80	80
Anes. Work rm				120		120	120
Freezer Room				80		80	80
Dictation 6 stations				150		150	150
Pre-op positions				480		480	480
Recovery positions				1,320		1,320	1,320
Private Recovery Rooms				858		858	858
pre-op toilet - patient				56		56	56
Post-op toilet - patient				112		112	112
Staff toilet (pre-op/post-op)				56		56	56
Patient lockers 12 lockers				24		24	24
Soiled Work room (pre-op/post-op)				120		120	120
Clean work room (pre-op/post-op)				120		120	120
Nurse station pre-op (6 stations)				240		240	240
Nurse station post-op (6 stations)				240		240	240
Meds				120		120	120
Nurishment				75		75	75
Discharge consult				100		100	100
Discharge vestibule				120		120	120
Wheelchair storage				54		54	54
Sterile work				720		720	720
Decontamination				600		600	600
Sterilizer utility rm				240		240	240
Sterile storage				720		720	720
Soiled hold				144		144	144
Clean Linen				180		180	180
Haz. Hold				120		120	120
Med gas				180		180	180
Receiving				400		400	400
Equipment storage				480		480	480
Janitor				120		120	120
Water Service Room				150		150	150
Mechanical/Compressor/vacuum				225		225	225

Electrical/Telephone				225		225	225
IT/Server				120		120	120
Internal Circulation				7,788		7,788	7,788
Unit/Department GSF Sub-Total				25,094		25,094	25,094
Other GSF Total							
Total GSF				25,094		25,094	25,094
*Total Cost						\$ 9,208,568	\$ 9,208,568
**Cost Per Square Foot						367	367
Cost per Square Foot Is Within Which Range				<input type="checkbox"/> Below 1 st Quartile	<input type="checkbox"/> Below 1 st Quartile	<input type="checkbox"/> Below 1 st Quartile	
(For quartile ranges, please refer to the Applicant's Toolbox on www.tn.gov/hsda)				<input type="checkbox"/> Between 1 st and 2 nd Quartile	<input type="checkbox"/> Between 1 st and 2 nd Quartile	<input type="checkbox"/> Between 1 st and 2 nd Quartile	
				<input type="checkbox"/> Between 2 nd and 3 rd Quartile	<input type="checkbox"/> Between 2 nd and 3 rd Quartile	<input type="checkbox"/> Between 2 nd and 3 rd Quartile	
*The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.				<input type="checkbox"/> Above 3 rd Quartile	<input checked="" type="checkbox"/> Above 3 rd Quartile	<input checked="" type="checkbox"/> Above 3 rd Quartile	
** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.							

5. Section B, Need, (Specific Criteria -ASTC) Item 2. Need and Economic Efficiencies

Please complete the following chart, once for Year 1 and once for Year 2

Year 1							
ORs	# Cases	Min. Used	Avg. Turn-around Time	Available minutes* (as defined below)	% of Available Time Used (as defined below)	Available minutes** (per State Health Plan)	% of Available Time Used (per State Health Plan)
OR #1	950	61,750	28,500	135,000	67%	120,000	75%
OR #2	950	61,750	28,500	135,000	67%	120,000	75%
OR #3	950	61,750	28,500	135,000	67%	120,000	75%
OR #4	951	61,815	28,530	135,000	67%	120,000	75%
Total Surgical Suite	3801	247,065	114,030	540,000	67%	480,000	75%

Year 2							
ORs	# Cases	Min. Used	Avg. Turn-around Time	Available minutes* (as defined below)	% of Available Time Used (as defined below)	Available minutes** (per State Health Plan)	% of Available Time Used (per State Health Plan)
OR #1	954	62,010	28,620	135,000	67%	120,000	75%
OR #2	954	62,010	28,620	135,000	67%	120,000	75%
OR #3	955	62,075	28,650	135,000	67%	120,000	75%
OR #4	955	62,075	28,650	135,000	67%	120,000	75%
Total Surgical Suite	3818	248,170	114,540	540,000	67%	480,000	75%

* defined as the summation of the minutes by each room available for scheduled cases
Example: 7:30 AM to 4:30 PM, 5 days per week, 50 weeks/ year, equates to 9 hrs/day X 60 min/hr = 540 minutes/day X 5 days/week = 2,700 minutes / week X 50

weeks/year=135,000 schedulable minutes/room X the number of rooms=surgical suite schedulable capacity

****The assumptions for ASTCs operating times in the State Health Plan are based on an OR being available for use 8 hours per day, rather than 9 hours per day.**

6. Section B, Need Item A. (Specific Criteria -ASTC) Item 9, Access and Economic Efficiencies(b).

Please provide the projected utilization by quarter for Year Two.

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Year 1:	381	761	1327	1332	3801
Year 2:	402	763	1320	1333	3818

The primary reason for the volume fluctuations, with volumes increasing significantly in the 3rd and 4th quarters, is insurance deductibles are more likely to be met or partially met later in the calendar year.

7. Section B, Need Item A. (Specific Criteria -ASTC), Item 10, Patient Safety and Quality of Care: Health Care Workforce (b).

What is the applicant's plan for providing anesthesia services?

Watauga has not decided whether it will hire anesthesiology staff and provide the services in-house or contract with an outside anesthesiology group, but more likely the latter.

Please provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or -off site.

There are several anesthesia groups located in the Tri-Cities region. Contracting options include Bristol Anesthesia Services; Anesthesia and Pain Consultants; and Advanced Anesthesia Solutions. Watauga will ensure that all anesthesiologists are Board Certified /Eligible, with ample experience in an ambulatory surgery center setting. In addition, all Certificate Registered Nurse Anesthetists will be required to have a doctoral degree and experience with outpatient surgery centers.

Any anesthesia group with which Watauga contracts would bill directly for its services. Watauga will require that the anesthesiology group be in-network with the ASTC, so as to prevent out of network billing for patents. In addition, the

anesthesia group must participate in patient satisfaction surveys and have an established quality review process.

There is no documentation of the foregoing. Watauga believes it is too early to be getting letters of interest or intent from anesthesia groups.

8. Section B, Need, Item 4.A

Describe the demographics of the population to be served by the proposal.

Please see the demographics and population table and discussion on page 25 of the application.

Please clarify why there is not a target population for the proposed project.

There is no target population because all ages will be served.

9. Section B, Need, Item E (Existing Services)

Please complete the following tables and include all single specialty ASTCs that perform orthopedic surgeries and all multispecialty ASTCs in the service area.

*M = multi-specialty and S = single specialty

ASTC	*Type	2017		2018		2019		17-19		2019	
	M/S	# ORs	# OR Cases	# ORs	# OR Cases	# ORs	# OR Cases	# ORs	# OR Cases % Chng.	Cases Per OR	% of meeting 684 Minimum
Bristol Surgery Center	M	4	1862	4	2432	4	1143	4	-62.9%	286	32.3%
Kingsport Ambulatory Surgery Center	M	4	1947	4	1539	4	1336	4	-45.7%	334	37.8%
Holston Valley Surgery Center	M	4	3127	4	3076	4	3190	4	2.0%	798	90.2%
Renaissance Surgery Center	M	2	190	2	163	2	N/A	2	N/A	N/A	N/A
Meadowview Ambulatory Surgery Center	M	N/A	N/A	N/A	N/A	3	N/A	0-3	N/A	N/A	N/A
East Tennessee Ambulatory Surgery Center	M	4	1849	4	1872	4	1469	4	-25.9%	367	41.5%
Mountain Empire Surgery Center	M	4	5090	4	5484	4	5024	4	-1.3%	1256	142.1%
Total/Average		22	14065	22	14566	25**	12162	22-25**	-15.6%	553	62.5%

*There are no single specialty ASTCs for orthopedic cases.

**Includes 3 ORs at Renaissance in 2019, even though no cases were reported.

***Based on 22 ORs since Renaissance reported rooms but no volume.

2017-2019 SERVICE AREA UTILIZATION TREND													
County	ASTC	2017 Ortho Cases	2017 Total Cases	2017 Ortho cases as a % of Total	2018 Ortho Cases	2018 Total Cases	2018 Ortho cases as a % of Total	2019 Ortho Cases	2019 Total Cases	2019 Ortho cases as a % of Total	Ortho Cases 17-19 % change	Total Cases 17-19 % change	
Sullivan	Bristol Surgery Center	169	2403	4.5%	58	2507	2.3%	103	1143	9.0%	5.5%	-110.2%	
Sullivan	Kingsport Ambulatory Surgery Center	751	2848	26.4%	450	2488	18.1%	303	2078	14.6%	-59.7%	-37.1%	
Sullivan	Holston Valley Surgery Center	1719	7058	24.4%	1953	6857	28.5%	2285	7334	31.2%	32.9%	3.8%	
Sullivan	Renaissance Surgery Center	8	1350	0.6%	0	848	0.0%	0	0	N/A	N/A	N/A	
Sullivan	Meadowview Ambulatory Surgery Center	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Washington	East Tennessee Ambulatory Surgery Center	0	3143	0.0%	5	2910	0.2%	74	2403	3.1%	N/A	-30.7%	
Washington	Mountain Empire Surgery Center	3082	5090	60.6%	3313	5484	60.4%	3336	5024	66.4%	8.2%	-1.3%	
Grand Total/Avg		5669	21890	25.9%	5779	21094	27.4%	6101	17862	33.9%	7.6%	-21.7%	

"Ortho" is orthopedic cases

Source: Joint Annual Reports

Please briefly describe the impact, if any, this project will have on the utilization of ASTCs and hospital surgical suites in the proposed five-county service area.

Watauga surgeons currently perform most of their outpatient surgery cases at Holston Valley Ambulatory Surgery Center in Sullivan County and Mountain Empire Surgery Center in Washington County. It is reasonable to assume these facilities will see some change in referral patterns from the Watauga surgeons.

Both of these facilities which are most likely to be impacted have healthy utilization rates. Mountain Empire Surgery Center experienced an average of 1256 cases per O.R. in 2019, which is 142% of the utilization threshold. Holston Valley Ambulatory Surgery Center experienced an average of 798 cases per O.R. in 2019, a level which is 90% of the utilization threshold.

Any temporary decline in orthopedic cases at these facilities will likely be quickly replaced. Holston Valley ASC experienced a 32.9% increase in orthopedic cases between 2017 and 2019. Mountain Empire ASC -- which is already far above the utilization threshold -- experienced an 8.2% increase in orthopedic cases during that same period. The upward growth trend in outpatient orthopedic cases is expected to increase even more in the future as payors increasingly are steering patients for orthopedic outpatient surgery to ASTCs.

The impact on area hospitals will be minimal. The vast majority of outpatient orthopedic cases performed by Watauga surgeons are performed in surgery centers, not hospitals. On average, only 7.6% of area hospitals' outpatient surgeries are orthopedic cases. Most of those are being performed in a hospital for a reason -- such as high risk or medical comorbidities -- and will continue to be performed in the hospitals. The inpatient orthopedic surgeries performed in the hospital will largely not be affected.

Please provide the following information for hospitals in the service area that provided orthopedic surgical cases in 2018.

SERVICE AREA HOSPITALS - OP SURGICAL UTILIZATION - 2018				
County	Hospital	Outpatient Orthopedic Cases	Total Outpatient Cases	Orthopedic cases as a % of Total
Sullivan	Indian Path	47	2578	1.8%
Sullivan	Bristol Regional	734	6681	11.0%
Sullivan	Holston Valley Med Ctr.	1175	7507	15.7%
Washington	Johnson City Med. Ctr.	341	6177	5.5%
Carter	Sycamore Shoals	198	1853	10.7%
Greene	Laughlin Med. Ctr.*	636	9773***	6.5%
Greene	Takoma Regional**	108	1981	5.5%
	Total	3239	42,884	7.6%

*Now Greeneville Community Hospital East

**Now Greeneville Community Hospital West

***Includes 5708 separately-designated Pediatric OP cases

Source: 2018 Hospital JAR

10. Section B. Economic Feasibility Item 1.A Project Cost Chart and 1.E Architect's Letter,

The applicant submitted a filing fee of \$99,037.37. The maximum filing fee is \$95,000. The applicant is due a refund of \$4,037.37.

Please submit a revised project cost chart with the correct filing fee.

The filing fee submitted was \$95,000. The higher amount on the Project Cost Chart was an error. A revised Project Cost Chart is attached following this response.

Equipment > \$50,000

Equipment Name / Description	Amount	Qty	Extended Cost
Phillips Veradius C Arm	\$153,000	2	\$306,000
Mizuho OSI Surgical Table - Spinal	\$92,000	1	\$92,000
Mizuho OSI Hana Surgical Table	\$125,000	1	\$125,000
Lecia Microscope System	\$101,000	1	\$101,000
Steris Ceiling Surgical Light w/ Monitor Arm	\$55,000	4	\$220,000
GE Mobile Xray unit	\$80,000	1	\$80,000
Primus Steam Sterilizer	\$55,000	1	\$55,000
Primus Pre Vac Autoclave	\$75,000	2	\$150,000
Primus Pass Thru-Washer	\$56,000	4	\$224,000
Crest 20 Gallon ultrasonic Cleaner	\$60,000	2	\$120,000
Arthrex Powered Equipment	\$203,000	4	\$812,000
Mindray North America Anesthesia	\$64,000	4	\$256,000
			\$2,541,000

11. Section B. Economic Feasibility Item 2, Funding Letter

The funding letter is noted. However, the letter references a surgery center in Blountville, TN. Please clarify.

The land in question was annexed into the city of Kingsport. Previously, the address was Blountville. Both addresses are still used in many contexts.

What is Loan A, Loan B, and Loan C referenced in the funding letter?

The proposed financing is structured into three types of loans, according to the purpose of each. The purpose of each loan is as follows:

Loan A: To finance land and building cost over 10 years;

Loan B: To finance medical equipment, office equipment, and furniture over 7 years;

Loan C: Working Capital (Line of Credit) for initial start-up costs, etc.

12. Section B. Contribution to Orderly Development Item C.1.

What is the closest hospital to the proposed ASTC? Please clarify if Watauga-affiliated surgeons will have admitting privileges, or if the applicant will have a transfer agreement with that hospital.

Three major hospitals are located in close proximity to the proposed site. They are:

Holston Valley Medical Center: 13.1 miles

Bristol Regional Medical Center: 14.7 miles

Johnson City Medical Center: 16.2

All Watauga surgeons have admitting privileges at each of these hospitals.

13. Proof of Publication

Please submit a copy of the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit, which is supplied by the newspaper as proof of the publication of the letter of intent.

A Publisher's Affidavit from the Kingsport Times News is attached following this response.

KINGSPORT TIMES-NEWS

PUBLICATION CERTIFICATE

1521576

Kingsport, TN 7/10/2020

This is to certify that the Legal Notice hereto attached was published in the Kingsport Times-News, a daily newspaper published in the City of Kingsport, County of Sullivan, State of Tennessee, beginning in the issue of July 10, 2020, and appearing 1 consecutive weeks/times, as per order of _____

Watauga Orthopedics, PC

Signed Sherif Edwards

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with TCA § 68-11-1601 et seq. and the Rules of the Health Services and Development Agency that Watauga Orthopaedics Surgery Center, to be owned and managed by Watauga Surgical Partners, LLC, a Tennessee limited liability company, intends to file an application for a Certificate of Need for the establishment of an ambulatory surgical treatment center (ASTC) for the performance of outpatient orthopaedic-related surgical cases and procedures. The proposed facility will be housed in a building to be constructed on a site located on the south side of Wallace Alley Street, approximately 0.1 miles from its intersection with Har-

Pursuant to T.C.A. § 68-11-1607(c): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

PUB1T: 07/10/2020

STATE OF TENNESSEE, SULLIVAN COUNTY, TO-WIT:

Personally appeared before me this 10th day of July 2020, Sherif Edwards

of the Kingsport Times-News and in due form of law made oath that the foregoing statement was true to the best of my knowledge and belief.



Nikki B. Brooks
NOTARY PUBLIC

My commission expires 8.25.2021

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Washington

I, Marc Aiken MD, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Marc Aiken MD
Name

Sworn to and subscribed before me this the 22nd day of July, 2020, a Notary Public in and for Washington County Tennessee.

Amy Bower
Notary Public

My Commission Expires: 4/30/2022



SECOND SUPPLEMENTAL RESPONSES

CERTIFICATE OF NEED APPLICATION

FOR

WATAUGA ORTHOPEDICS SURGERY CENTER

The Establishment of an Orthopedic
Specialty Ambulatory Surgical
Treatment Center

Project No. CN2007-022

Sullivan County, Tennessee

July 24, 2020

Contact Person:

Jerry W. Taylor, Esq.
Thompson Burton, PLLC
6100 Tower Circle, Suite 200
Franklin, Tennessee 37067
615-716-2297

1. Section B, Need, Item E (Existing Services)

The following table that include all single specialty ASTCs that perform orthopedic surgeries and all multispecialty ASTCs in the service area is noted. However, there are errors in the chart for the % change from the 2017-2019 columns. Please correct.

The corrected table appears below.

ASTC	*Type		2017		2018		2019		*17-19		2019	
	M/S	# ORs	# OR Cases	# ORs	# OR Cases	# ORs	# OR Cases	# ORs	# OR Cases % Chng.	Cases Per OR	% of meeting 884 Minimum	
Bristol Surgery Center	M	4	1862	4	2432	4	1143	4	-38.6%	286	32.3%	
Kingsport Ambulatory Surgery Center	M	4	1947	4	1539	4	1336	4	-31.4%	334	37.8%	
Holston Valley Surgery Center	M	4	3127	4	3076	4	3190	4	2.0%	798	90.2%	
Renaissance Surgery Center	M	2	190	2	163	2	N/A	2	N/A	N/A	N/A	
Meadowview Ambulatory Surgery Center	M	N/A	N/A	N/A	N/A	3	N/A	0-3	N/A	N/A	N/A	
East Tennessee Ambulatory Surgery Center	M	4	1849	4	1872	4	1469	4	-20.6%	367	41.5%	
Mountain Empire Surgery Center	M	4	5090	4	5484	4	5024	4	-1.3%	1256	142.1%	
Total/Average		22	14065	22	14566	25**	12162	22-25**	-13.5%	553	62.5%	
*There are no single specialty ASTCs for orthopedic cases.												
**Includes 3 ORs at Renaissance in 2019, even though no cases were reported.												
***Based on 22 ORs since Renaissance reported rooms but no volume.												

In the following chart, please only use operating room cases since the applicant will not have a procedure room. The applicant used procedure and operating cases for case totals. Apologies for not making the question clear. Also, there are errors in the following chart for the % change from the 2017-2019 columns. Please revise.

A revised table appears below.

2017-2019 SERVICE AREA UTILIZATION TREND												
County	ASTC	*2017 Ortho Cases	2017 Total OR Cases	2017 Ortho cases as a % of Total OR Cases	2018 Ortho Cases	2018 Total OR Cases	2018 Ortho cases as a % of Total OR Cases	2019 Ortho Cases	2019 Total OR Cases	2019 Ortho cases as a % of Total OR Cases	Ortho Cases *17-19 % change	Total OR Cases *17-19 % change
Sullivan	Bristol Surgery Center	109	1862	5.9%	58	2432	2.4%	103	1143	9.0%	-5.5%	-38.6%
Sullivan	Kingsport Ambulatory Surgery Center	751	1947	38.6%	450	1539	29.2%	303	1336	22.7%	-59.7%	-31.4%
Sullivan	Holston Valley Surgery Center	1719	3127	55.0%	1953	3076	63.5%	2285	3190	71.6%	32.9%	2.0%
Sullivan	Renaissance Surgery Center	8	190	4.2%	0	163	0.0%	0	0	N/A	N/A	N/A
Sullivan	Meadowview Ambulatory Surgery Center	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Washington	East Tennessee Ambulatory Surgery Center	0	1849	0.0%	5	1872	0.3%	74	1469	5.0%	N/A	-20.6%
Washington	Mountain Empire Surgery Center	3082	5090	60.6%	3313	5484	60.4%	3336	5024	66.4%	8.2%	-1.3%
Grand Total/Avg.		5669	14065	40.3%	5779	14566	39.7%	6181	12162	50.2%	7.6%	-13.5%
*Ortho" is orthopedic cases												
Source: Joint Annual Reports												

The following information for hospitals in the service area that provided orthopedic surgical cases in 2018 is noted. However, the applicant used obstetrics surgical cases for some hospitals. Please correct.

SERVICE AREA HOSPITALS - OP SURGICAL UTILIZATION - 2018				
County	Hospital	Outpatient Orthopedic Cases	Total Outpatient Cases	Orthopedic cases as a % of Total
Sullivan	Indian Path	91	2578	3.5%
Sullivan	Bristol Regional	485	6681	7.3%
Sullivan	Holston Valley Med Ctr.	1175	7507	15.7%
Washington	Johnson City Med. Ctr.	341	6177	5.5%
Carter	Sycamore Shoals	198	1853	10.7%
Greene	Laughlin Med. Ctr.*	636	9773***	6.5%
Greene	Takoma Regional**	108	1981	5.5%
	Total	3034	42,884	7.1%
*Now Greeneville Community Hospital East				
**Now Greeneville Community Hospital West				
***Includes 5708 separately-designated Pediatric OP cases				

Source: 2018 Hospital JAR

2. Section B. Economic Feasibility Item 1.A Project Cost Chart

The revised project cost chart with the correct filing fee is noted. Please submit a replacement page 2 noting the correct project cost.

A Replacement Page 2 is attached following this response.

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

1) Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

The applicant proposes to establish a new ASTC for the performance of outpatient surgery for orthopedic and related procedures. The use of the facility will be limited to surgeons affiliated with Watauga Orthopedics, PLC. The ASTC will initially have 4 active operating rooms (“OR”s) and the applicant will shell in space which can eventually house 2 more ORs.

2) Ownership structure;

The applicant and proposed licensee is Watauga Surgical Partners, PLLC. This is a new company, formed for the purpose of owning and operating the proposed ASTC. All membership interests will be held by surgeons affiliated with Watauga Orthopedics, PLC. There are currently 17 such physician owners.

3) Service area;

The proposed service area consists of 5 Tennessee counties (Sullivan, Washington, Hawkins, Carter and Greene) and 2 counties in Virginia (Washington County, VA and Wise County, VA). These counties account for over 80% of the projected cases.

4) Existing similar service providers;

There are 11 ASTCs located in Sullivan County and 6 in Washington County. Of these, 6 are multi-specialty surgery centers and 11 are single-specialty surgery centers. There are no ASTCs limited to orthopedic surgery.

5) Project cost;

The total estimated project cost is \$17,318,907.36.

6) Funding;

The project will be funded by a commercial loan.

7) Financial Feasibility including when the proposal will realize a positive financial margin; and

The project will be financially feasible from the outset. It is projected to produce a positive net income and positive cash flow in Year 1 and thereafter.

8) Staffing.

AFFIDAVIT

STATE OF TENNESSEE

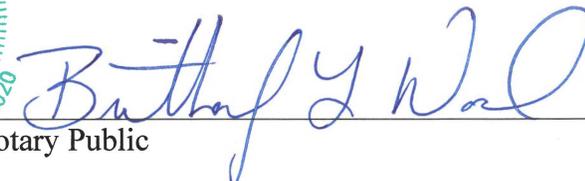
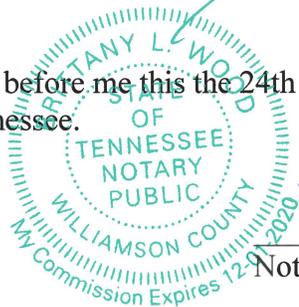
COUNTY OF WILIAMSON

I, Jerry W. Taylor, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Jerry W. Taylor, Attorney

Sworn to and subscribed before me this the 24th day of July, 2020 a Notary Public in and for Williamson County Tennessee.



Notary Public

My Commission Expires: 12-01-2020 .

The following information for hospitals in the service area that provided orthopedic surgical cases in 2018 is noted. However, the applicant used obstetrics surgical cases for some hospitals. Please correct.

A revised and corrected table appears below.

SERVICE AREA HOSPITALS - OP SURGICAL UTILIZATION - 2018				
County	Hospital	Outpatient Orthopedic Cases	Total Outpatient Cases	Orthopedic cases as a % of Total
Sullivan	Indian Path	91	2578	3.5%
Sullivan	Bristol Regional	485	6681	7.3%
Sullivan	Holston Valley Med Ctr.	1175	7507	15.7%
Washington	Johnson City Med. Ctr.	341	6177	5.5%
Carter	Sycamore Shoals	198	1853	10.7%
Greene	Laughlin Med. Ctr.*	636	4357	14.6%
Greene	Takoma Regional**	108	1981	5.5%
	Total	3034	31,134	9.7%
*Now Greeneville Community Hospital East				
**Now Greeneville Community Hospital West				

Source: 2018 Hospital JAR

1. Section B. Economic Feasibility Item 1.A Project Cost Chart

The revised project cost chart with the correct filing fee is noted. Please submit a replacement page 2 noting the correct project cost.

A Replacement Page 2 is attached following this response.

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF WILLIAMSON

I, Jerry W. Taylor, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.


Name _____

Sworn to and subscribed before me this the 27 day of July, 2020, a Notary Public in and for Williamson County Tennessee.


Notary Public _____

My Commission Expires: 12-01-2020

